COUNTY OF SAN LUIS OBISPO
BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL

(1) DEPARTMENT	(2) MEETING DATE	(3) CONTACT/PHONE
Administrative Office	8/19/2025	Zachary A. Lute, Administrative Analyst (805) 781-5011

(4) SUBJECT

Request to 1) approve responses to the FY 2024-25 Grand Jury report titled, "*2024-2025 Continuity Report*"; and 2) direct the Clerk of the Board to forward the responses to the Presiding Judge of the Superior Court by September 14, 2025.

(5) RECOMMENDED ACTION

It is recommended that the Board:

1. Approve the recommended responses from the County Board of Supervisors (Attachment 2) to the FY 2024-25 Grand Jury report titled, "*2024-2025 Continuity Report*"; and
2. Direct the Clerk of the Board to forward the responses to the Presiding Judge and the Grand Jury by September 14, 2025.

(6) FUNDING SOURCE(S)	(7) CURRENT YEAR FINANCIAL IMPACT	(8) ANNUAL FINANCIAL IMPACT	(9) BUDGETED?
N/A	N/A	N/A	N/A

(10) AGENDA PLACEMENT

{ X } Consent **{ }** Presentation **{ }** Hearing (Time Est. _______) **{ }** Board Business (Time Est.______)

(11) EXECUTED DOCUMENTS

{ } Resolutions **{ }** Contracts **{ }** Ordinances **{ X }** N/A

(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)	(13) BUDGET ADJUSTMENT REQUIRED?
N/A	BAR ID Number: N/A **{ }** 4/5th's Vote Required **{ X }** N/A

(14) LOCATION MAP	(15) BUSINESS IMPACT STATEMENT?	(16) AGENDA ITEM HISTORY
N/A	No	**{ }** N/A Date ____________________

(17) ADMINISTRATIVE OFFICE REVIEW

This item was prepared by the Administrative Office.

(18) SUPERVISOR DISTRICT(S)

COUNTY OF SAN LUIS OBISPO

TO:	Board of Supervisors
FROM:	Administrative Office / Zachary A. Lute, Administrative Analyst (805) 781-5011
VIA	Matthew Pontes, County Administrative Officer
DATE:	8/19/2025
SUBJECT:	Request to 1) approve responses to the FY 2024-25 Grand Jury report titled, "*2024-2025 Continuity Report*"; and 2) direct the Clerk of the Board to forward the responses to the Presiding Judge of the Superior Court by September 14, 2025.

RECOMMENDATION

It is recommended that the Board:

1. Approve the recommended responses from the County Board of Supervisors (Attachment 2) to the FY 2024-25 Grand Jury report titled, "*2024-2025 Continuity Report*"; and
2. Direct the Clerk of the Board to forward the responses to the Presiding Judge and the Grand Jury by September 14, 2025.

DISCUSSION

On June 16, 2025, the San Luis Obispo County Grand Jury (Grand Jury) issued a report titled "2024-2025 Continuity Report" (Attachment 1). The report follows up on County responses to three recommendations from two prior Grand Jury investigative reports, the FY 2023-24 Grand Jury report titled "*Moving San Luis Obispo County From Homelessness to Hopefulness*" and the FY 2023-24 Grand Jury report titled "*Annexation: A Taxing Dilemma*".

The Grand Jury report included three findings and two recommendations. Responses were required as follows:

Department	Recommendations
County Board of Supervisors	R1, R2

The recommended responses from the County Board of Supervisors are attached (Attachment 2).

All responses must conform to the response language and timelines required under Penal Code section 933. Under this section, Board adopted responses must be submitted to the Presiding Judge of the Superior Court within 90 days of the date the report is submitted. The responses from the County Board of Supervisors are scheduled to be transmitted to the Presiding Judge and the Grand Jury by September 14, 2025.

OTHER AGENCY INVOLVEMENT/IMPACT

The County Administrative Office drafted the recommended responses to the Grand Jury report.

FINANCIAL CONSIDERATIONS

Costs for preparing this response are included in current department budgets and are funded by the General Fund. There are no significant anticipated financial impacts to the County budget that will result either directly or indirectly from the recommended action. Any future financial impacts associated with the recommended action will be considered as they arise.

RESULTS

Adoption of the responses will make it possible for the County to meet the legal requirements and time frames for responding to a Grand Jury report with findings and recommendations. The responses from the County Board of Supervisors to the FY 2024-25 Grand Jury report titled, "2024-2025 Continuity Report" will be adopted and transmitted to the Presiding Judge and the Grand Jury as required. This action is consistent with the County's goal to promote a well-governed community.

ATTACHMENTS

1 Attachment 1 - FY 2024-25 Grand Jury Report - 2024-2025 Continuity Report
2 Attachment 2 - Agency Response 2024-25 Continuity Report
3 Attachment 3 - 2023-2024 GJ Report on Homelessness (June 18, 2024)
4 Attachment 4 - Agency Response – 2023-2024 GJ Report on Homelessness (July 16, 2024)
5 Attachment 5 - 2023-2024 GJ Report on Annexation (May 17, 2024)
6 Attachment 6 - Agency Response – 2023-2024 GJ Report on Annexation (June 18, 2024)

2024-2025 CONTINUITY REPORT

The Continuity Report provides a summary and status of open recommendations from the 2023-2024 San Luis Obispo County Grand Jury as well as one open item from 2022-2023.

INTRODUCTION/PURPOSE

The San Luis Obispo County Civil Grand Jury (SLOCGJ) is charged with oversight of local government functions on behalf of its citizens. Its mission is to examine all aspects of local government, ensuring that the county is being governed honestly and efficiently and that county monies are being handled judiciously. Its purpose is to shed light on issues within the county. While civil grand jury recommendations do not carry the force of law, their effectiveness depends on the willingness of responding agencies to address them and present their responses to the public transparently.

The Continuity Report reviews and presents the requested agency responses to the previously published Grand Jury reports and focuses on non-compliant responses or uncompleted implementation of prior recommendations in accordance with established timelines and other requirements. This is an informational report which includes agency responses to the findings and recommendations made by prior SLOCGJs.

AUTHORITY

California Penal Code section 933.05 prescribes responses to Grand Jury findings and recommendations. Responding agencies are directed to report whether they agree or disagree (either partially or wholly) with a finding and whether a recommendation has been implemented, will be implemented, will not be implemented, or requires further analysis. An agency may reject a Grand Jury recommendation provided they include an explanation of why the recommendation is either unwarranted or unreasonable. If a recommendation requires further analysis, it must be conducted within six months from the date of publication of the Grand Jury report.

All Grand Jury reports and each agency's responses are posted online each year at https://www.slo.courts.ca.gov/gi/jury-grandjury.htm

NARRATIVE

The 2023-2024 SLOCGJ Jury conducted and completed three investigative reports, which required responses from relevant agencies, as well as an inspection report on county law enforcement and detention facilities. These reports are as follows:

Report 1: Moving San Luis Obispo County from Homelessness to Hopefulness
Report 2: Growing Pains: The Cannabis Industry in San Luis Obispo County
Report 3: Annexation: A Taxing Dilemma
Report 4: Inspection Report for SLO County Law Enforcement and Detention Facilities

Additionally, the SLOCGJ reviewed one report with open recommendations from the 2022-23 SLOCGJ: *Can One Wet Year Wash Away the Paso Robles Basin's Water Worries*.

The review process presented notable challenges, as the provided responses to two of the reports were deemed by the SLOCGJ as inadequate or incomplete. These insufficient replies necessitated additional inquiries and follow-up to ensure that prior SLOCGJs' concerns and recommendations were adequately addressed.

The remaining reports, as detailed in the Appendix, were met with timely and appropriate responses to the recommendations. The SLOCGJ commend these agencies for responding by the requested deadlines and for providing clear, thoughtful and insightful replies.

The 2024-2025 SLOCGJ reviewed all responses from the agencies noted in these reports to prepare this follow-up continuity report.

UNSATISFACTORY REPORT RESPONSES:

<u>2023-24 Report: *Moving San Luis Obispo County from Homelessness to Hopefulness:*</u>

Recommendation R1	***Board Of Supervisors Response***
R1. The San Luis Obispo County Grand Jury recommends that the County revise its plan to include more specific and quantifiable timelines for implementing the "San Luis Obispo Countywide Plan to Address Homelessness 2022-2027" by December 31, 2024.	Recommendation R1 will not be implemented because it is not warranted or reasonable. The current Countywide Plan already incorporates detailed timelines and measurable goals for each initiative outlined. The timelines are designed to track progress and ensure that milestones are achieved within specified timeframes. Additionally, the plan includes performance metrics to evaluate our success in reducing homelessness, increasing housing units and improving community engagement.

SLOCGJ Recommendation 1 (R1) Inquiry Update

The SLOCGJ would like to acknowledge the County's efforts in addressing homelessness through the "San Luis Obispo Countywide Plan to Address Homelessness 2022-2027" (Countywide Plan). However, the SLOCGJ finds the County's response to its 2023-24 recommendation R1 for more specific and quantifiable timelines disappointing, deeming it "not warranted or reasonable". It is the SLOCGJ's opinion that the County failed to provide an adequate response as to "why" the recommendation would not be implemented.

The SLOCGJ's recommendation R1 resulted from a major challenge in assessing the County's progress due to insufficient details which made it difficult to determine whether they were on schedule or if there were deficiencies in execution as noted in last years SLOCGJ Homelessness report.

In response to the SLOCGJ's request for a more detailed explanation as to why the County would not implement the recommendation, the Board of Supervisors (BOS) failed to provide a response.

Grand Jury's Comment to County's Response for Additional Information

While the County characterizes its current approach as already incorporating detailed goals and timelines, the SLOCGJ position remains that the Countywide Plan's lack of clearly defined actions, time-phased milestones, and detailed responsibilities undermines the ability to track progress effectively and hold stakeholders accountable. Without these essential elements, it is impossible to determine if the plan is on track or to address potential challenges in a timely and proactive manner.

Specific areas of Concern:

• **Lack of Defined Actions and Milestones:** The absence of time-phased goals with clear requirements makes it difficult to determine if the County is meeting its commitments, relying instead on a broad 5-year timeline.

• **Insufficient Accountability:** The plan does not specify what needs to be done, by whom, or when, which hinders accountability among stakeholders and limits Citizens' Homeless Accountability Commission's (CHAC's) ability to report meaningful progress.

• **Delayed Issue Identification:** Detailed actions and timelines would enable early detection of potential issues, facilitating proactive solutions. Flexible frameworks are no substitute for well-defined timelines that ensure projects stay on track despite changing circumstances.

On May 21, 2024, the County presented a status report on the Countywide Plan to the BOS. The SLOCGJ commends the County and its partnering non-profits for their progress. However, the presentation did not clarify whether the plan remains on schedule and noted that some initiatives face risks due to funding concerns.

During the status report, the BOS directed the County to provide a full status update on the Countywide Plan every two years, with brief updates in alternating years. This schedule allows for only one more comprehensive report in 2026 before the plan concludes in 2027. The SLOCGJ believes that limited reporting, coupled with the absence of detailed actions and milestones, weakens oversight and transparency. Additionally, it fails to inform the public about potential delays or obstacles—such as reduced funding, inflationary pressures, community concerns, or logistical challenges—that could hinder the plan's progress or completion.

2023-24 Report: ***Moving San Luis Obispo County from Homelessness to Hopefulness:***

Recommendation R3	*Board Of Supervisors Response*
R3. The San Luis Obispo County Grand Jury recommends that the County aggressively implement its plan for a comprehensive public awareness campaign to advise the community on homelessness issues. It is further recommended that the County and Cities work together to provide a cohesive voice. The San Luis Obispo County Grand Jury recommends completion by December 31, 2024.	Recommendation R3 will not be implemented because it is not warranted or reasonable. The County through Line of Effort #6 of the San Luis Obispo Countywide Plan to Address Homelessness has actively pursued public engagement. This includes extensive community outreach, engagement through social media platforms, partnerships with local entities and participation in community forums and workshops. The County's current efforts adequately address the need for a comprehensive public awareness campaign with existing resources and strategic frameworks.

SLOCGJ Recommendation 3 (R3) Inquiry Update:

The 2023-2024 SLOCGJ's recommendation (R3) was a result of the "The San Luis Countywide Plan to Address Homelessness 2022-2027" (Countywide Plan), Line of effort #6 which was to actively pursue public engagement through community outreach, engagement through social media platforms, partnerships with local entities and participation in community forums and workshops. It also called for the County and Cities to work together to provide a cohesive voice. The SLOCGJ recommended that the County aggressively implement its plan for a comprehensive public awareness campaign, which was noted during its investigation as being delayed due to staff turnover.

The BOS responded to this recommendation stating that it was "not warranted or reasonable". The SLOCGJ found that the BOS failed to provide an adequate response as to "why" the recommendation would not be implemented as they simply restated the SLOCGJ's recommendation. As a result, the SLOCGJ requested a more detailed explanation from the County as to why the recommendation would not be implemented, and if it was their position that they are now on schedule with its plans, or rather that they will not be implementing the outlined objectives in their Countywide plan, in part or entirely.

County's Response to Request for Additional Information:

In response to the SLOCGJ's request for a more detailed explanation as to why the County would not implement the recommendation, the BOS failed to provide a response.

Grand Jury's Comment to County's Response for Additional Information:

It remains unclear how the SLOCGJ recommendation was deemed unwarranted or unreasonable when the recommendation was to simply implement their own stated goal, which was noted as being behind schedule by county staff.

2023-24 Report: *Annexation: A Taxing Dilemma*

Recommendation R1	***Board Of Supervisors Response***
R1. The Grand Jury recommends that the Board of Supervisors of San Luis Obispo County complete an updated Master Tax Exchange Agreement with the Cities by December 1, 2024.	The Recommendation R1 has not yet been implemented but will be implemented in the future. Due to staffing resources shortages this effort was paused in the fall of 2023 but County plans to finalize this project in 2024.

SLOCGJ Recommendation 1 (R1) Inquiry Update:

The 2023-24 SLOCGJ report included recommendation R1 that the "Board of Supervisors (BOS) of San Luis Obispo County complete an updated Master Tax Exchange Agreement (MTEA) with the Cities by December 1, 2024". The County responded by advising that the recommendation would be implemented, stating "Due to the staffing resource shortages this effort was paused in the fall of 2023 but was County planned to finalize this project in 2024."

In December 2024, the SLOCGJ made an inquiry as to the status of this project. On January 8, 2025, SLOCGJ learned that the BOS had still not adopted a new agreement. When SLOCGJ followed up with one city related to recommendation R1, SLOCGJ learned negotiations have not commenced. In response to the SLOCGJ's request for a revised implementation date, the BOS failed to provide a response.

SLOCGJ's Comments Related to Recommendation R1:

Although the BOS initially stated it planned to finalize the project in 2024, it failed to meet that deadline. The absence of a follow-up response from the BOS raises concerns that unresolved issues may be contributing to ongoing delays in reaching an agreement on the updated version. Updating the MTEA is a complex task requiring economic modeling by an outside consultant, negotiations with at least four incorporated cities, documenting changes to the agreement, and approvals by the individual city councils and ultimately the BOS.

The MTEA adopted by the BOS twenty-nine (29) years ago, on April 24, 1996, was to be re-examined every 5 years to assure that the policies remain appropriate and current for all parties. The County and the cities contracted with a consulting firm in 2019 to perform a financial analysis to inform a revised tax agreement. Six years later, after spending a significant amount of tax dollars, it has not been completed and is long overdue.

FINDINGS

F1. The BOS failed to provide a response to the SLOCGJ's follow-up inquiry to the San Luis Obispo Countywide Plan to Address Homelessness 2022-2027 recommendations R1 and R3, seeking further information as to why more specific and quantifiable timelines would not be provided. The BOS response that existing goals effectively address the concern is inadequate. The SLOCGJ recommendation clearly indicates a belief that the current framework will not allow the County or its citizens to evaluate progress.

F2. The BOS failed to meet its stated completion date of December 2024 for the recommended action R1 in the 2023-2024 SLOCGJ Report: "Annexation: A Taxing Dilemma", to update the Master Tax Exchange Agreement.

F3. Despite seeking additional clarification on when the updated Master Tax Exchange Agreement would be completed, County Staff was unable to provide SLOCGJ with any specific timeframe.

RECOMMENDATIONS

R1. The SLOCGJ recommends that the Board of Supervisors (BOS) respond to the request from the SLOCGJ dated November 12, 2024. They should provide a clear explanation as to why recommendations R1 and R3, outlined in the San Luis Obispo Countywide Plan to Address Homelessness for 2022-2027, will not be implemented.

R2. The SLOCGJ recommends that the BOS provide the required update as to the status and anticipated completion date of a revised Master Tax Exchange Agreement.

REQUIRED RESPONSES

The San Luis Obispo County Board of Supervisors is required to respond to Recommendations R1 and R2. All responses shall be submitted to the Presiding Judge of the San Luis Obispo County Superior Court within 90 days of submission of the report. A paper and electronic version of all responses shall be provided to the Grand Jury.

933.05. Findings and Recommendations

(a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:
- (1) The respondent agrees with the finding.
- (2) The respondent disagrees wholly or partially with the finding; in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons, therefore.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:

(1) The recommendation has been implemented, with a summary regarding the implemented action.

(2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.

(3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.

(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation, therefore.

Presiding Judge	Grand Jury
Presiding Judge Rita Federman Superior Court of California 1035 Palm Street Room 355 San Luis Obispo, CA 93408	San Luis Obispo County Grand Jury P.O. Box 4910 San Luis Obispo, CA 93403

APPENDIX

SATISFACTORY REPORT RESPONSES		
Report Title	***Recommendations***	***Summarized Agency Response***
Growing Pains: The Cannabis Industry in San Luis Obispo County	R1. The Board of Supervisors should conduct a review of staffing levels in the SOCCU relative to the number of licensed businesses and new applicants by December 31, 2024.	Recommendations numbered R1, R2 will not be implemented because they are not warranted or reasonable. The county maintains that the process it is using to determine fees, budget, and staffing are appropriate as presently performed by the county.
	R2. The Board of Supervisors should conduct an analysis of the current fee structure with the goal of becoming more competitive with neighboring jurisdictions by December 31, 2024.	
	R3. The Sheriff's Office should conduct an analysis of its background-check process to identify areas where cost savings could be realized to reduce the background-check fee and be in alignment with other counties by December 31, 2024.	Recommendation R3 was advised as requiring a further analysis. The Sheriffs Department followed up, noting that the review was completed by the Sheriffs Office Team, submitted to the County Administrative Office, and was included as part of the Fee Schedule B Changes submitted to the Board of Supervisors by the County Office Administrative Office and presented on November 12, 2024, during the Fee Hearing for Calendar year 2025 and Fiscal Year 2025-26.
Moving San Luis Obispo from Homelessness to Hopefulness	R2. The San Luis Obispo County Grand Jury recommends that the County implement effective knowledge transfer management and succession planning practices to minimize the impact of staff turnover on completing the required tasks to ensure performance to the "San Luis Obispo Countywide Plan to Address Homelessness 2022-2027" by December 31, 2024.	Recommendation R2 will not be implemented because it is not warranted or reasonable. The County already has an existing framework and resources in place to manage knowledge transfer within the operational departments, which they maintain is sufficient.
Law Enforcement and Detention Facilities 2023-2024	R1 The San Luis Obispo County Sheriff should continue to work with the Homeless Services Division regarding closing the Oklahoma Safe Parking site in 2024.	Recommendation R1 has been implemented. The Oklahoma Safe Parking site was officially closed May 6, 2024.
	R2 The San Luis Obispo County Sheriff should complete property room climate control enhancements in 2024.	Recommendation R2 has not yet, but will be implemented. A follow up from the Sherrif's Office noted that the budget has been approved and the project will start in early March 2025.
	R3 The San Luis Obispo County Sheriff should develop a plan by January 1, 2025, to deal with evidence storage reaching maximum capacity levels.	Recommendation R3 has not yet, but will be implemented. A follow up from the Sheriff's Office noted that they are currently in negotiations to finalize and then implement the plan to expand the storage capacity.
	R4 The San Luis Obispo County Behavioral Health Department should forward all performance and assessment reports (outlined in the operating agreement) regarding Psychiatric Health Facilities management by Crestwood Behavioral Health to the 2024-25 San Luis Obispo Grand Jury by Nov 1, 2024	Recommendation R4 was noted and not yet complete, but will be implemented. On January 21, 2025 the San Luis Obispo County Behavioral Health Department forwarded the required performance and assessment reports as outlined in the operating agreement. This recommendation has been completed.
Can One Wet Year Wash Away the Paso Robles Basin's Water Worries?	R3. Implementation of the proposed MILR Program, to establish voluntary land fallowing, needs to be initiated by the 2025 GSP update. If voluntary measures are ineffective, the PBCC will need to implement a mandatory program.	Recommendations R3 and R9 were noted that they would be implemented prior to the January 25, 2025 deadline. The Paso Basin Groundwater Sustainability 5 Year Evaluation was submitted to the California Department of Water Resources in late January 2025. This recommnedation has been completed.
	R9. For the 2025 GSP annual update, the Cooperative Committee should update the GSP timeline to show a realistic and deliverable set of management actions.	

RESPONSE TO GRAND JURY REPORT

Report Title: “2024-2025 Continuity Report”

Report Date: June 16, 2025

FINDINGS

1. I (we) agree with the findings numbered: **F2, F3**
2. I (we) disagree wholly or partially with the findings numbered: **F1**

(Attach a statement specifying any portions of the findings that are disputed; include an explanation of the reasons.)

RECOMMENDATIONS

1. Recommendations numbered ________________________ have been implemented.
   (Attach a summary describing the implementation actions.)

2. Recommendations numbered ________________________ have not yet been implemented, but will be implemented in the future.
   (Attach a timeframe for the implementation.)

3. Recommendations numbered ________________________ require further analysis.
   (Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of the publication of the Grand Jury report.)

4. Recommendations numbered **R1, R2** will not be implemented because they are not warranted or are not reasonable.
   (Attach an explanation.)

Date: **August 11, 2025**

Number of pages attached: **4**

FINDINGS

F1. The BOS failed to provide a response to the SLOCGJ's follow-up inquiry to the San Luis Obispo Countywide Plan to Address Homelessness 2022-2027 recommendations R1 and R3, seeking further information as to why more specific and quantifiable timelines would not be provided. The BOS response that existing goals effectively address the concern is inadequate. The SLOCGJ recommendation clearly indicates a belief that the current framework will not allow the County or its citizens to evaluate progress.

☒ We Wholly or Partially Disagree with the Finding for the following reasons:

The Board adopted responses to the FY 2023-24 Grand Jury report titled "*Moving San Luis Obispo County From Homelessness to Hopefulness*", the subject of which was the San Luis Obispo Countywide Plan to Address Homelessness 2022-2027, on July 16, 2024. The Grand Jury sent a follow-up inquiry on November 12, 2024. A timely response to the SLOCGJ's follow-up inquiry was submitted to the SLOCGJ on January 4, 2024.

F2. The BOS failed to meet its stated completion date of December 2024 for the recommended action R1 in the 2023-2024 SLOCGJ Report: "Annexation: A Taxing Dilemma", to update the Master Tax Exchange Agreement.

☒ We Agree with this Finding

F3. Despite seeking additional clarification on when the updated Master Tax Exchange Agreement would be completed, County Staff was unable to provide SLOCGJ with any specific timeframe.

☒ We Agree with this Finding

RECOMMENDATIONS

R1. The SLOCGJ recommends that the Board of Supervisors (BOS) respond to the request from the SLOCGJ dated November 12, 2024. They should provide a clear explanation as to why recommendations R1 and R3, outlined in the San Luis Obispo Countywide Plan to Address Homelessness for 2022-2027, will not be implemented.

☒ The recommendation will not be implemented because it is not warranted or is not reasonable

As stated in the County's response to the SLOCGJ's follow-up inquiry, the County's position regarding Recommendations R1 and R3 in the FY 2023-24 SLOCGJ report titled "*Moving San Luis Obispo County From Homelessness to Hopefulness*", as adopted by the Board on July 16, 2024, remains unchanged. After thorough consideration, the recommendation will not be implemented, as it is not warranted.

Regarding R1:

The County acknowledges the importance of clear milestones, enhanced accountability, and early issue identification, as highlighted in the recommendation. However, the County's current plan is designed with a long-term, flexible framework that aligns with our overall strategic goals. The plan's objectives, are structured to allow for adaptability as conditions evolve, and the County believes that this approach remains appropriate given the broad scope and complexity of the initiatives involved. Additionally, the landscape of homeless services funding requires adaptability as funding levels change annually. The lines of effort laid out in the plan provide a framework, and the Homeless Services Division reports annually on what progress has been made on each line of effort. Below is a cumulative table outlining progress made over calendar years 2023 and 2024.

While time-phased goals are valuable for certain projects, the current approach allows for both flexibility and accountability. This flexible framework positions the County to take advantage of new and innovative practices such as the recently launched State initiative to examine flexible housing subsidy pools. The County believes the existing reporting mechanisms and measurable goals effectively address the Grand Jury's concern and provide the necessary tools for tracking progress, ensuring that the County remains on course to meet the plan's objectives. In addition to an annual report to the Board of Supervisors and ongoing collaboration with the Homeless Services Oversight Council to monitor system progress and performance, all jurisdictions must track and report on system performance measures to both the State and Federal oversight bodies. Homeless Services Division staff work continuously with each agency in the Homeless Management Information System (HMIS) to ensure their projects are meeting standards set by funders as well as those set locally. Meeting these standards ensures eligibility for funding and progress towards ending homelessness.

Additionally, in 2025 the Homeless Services Division launched a performance dashboard available to the public online. This dashboard is updated quarterly with performance metrics. The dashboard can be found at: slocounty.ca.gov/departments/social-services/homeless-services-division/quarterly-homelessness-dashboard.

The most recent Homeless Services Division annual report to the Board on the progress made on each line of effort occurred on August 5, 2025. The status of the goals as reflected in that report are summarized in the table below.

Goal Description	Measure	By	Status	Status as of	Remaining time to Accomplish Goal
Reduce the number of people experiencing homelessness	To 50% of 2022 levels	2027	81% of 2022 levels	The End of Calendar Year 2024	3 full years
Decrease the number of people experiencing unsheltered homelessness	To 50% of 2022 levels	2027	69.2% of 2022 levels	The End of Calendar Year 2024	3 full years
Construct interim housing units	At least 300 units	2027	80 built 14 under construction 73 in development	The End of Calendar Year 2024	3 full years
Build permanent supportive housing units	500 units	2027	141 built 75 under construction 40 in development	The End of Calendar Year 2024	3 full years
Develop low-income housing units	1,667 units	2027	375 built 548 under construction 776 in development	The End of Calendar Year 2024	3 full years

Regarding R3:

The County, through Line of Effort #6 of the San Luis Obispo Countywide Plan to Address Homelessness, has actively pursued public engagement. This includes extensive community outreach, engagement through social media platforms, partnerships with local entities and participation in community forums and workshops.

The County's current efforts adequately address the need for a comprehensive public awareness campaign with existing resources and strategic frameworks.

In the most recent Homeless Services Division (HSD) update to the Board on August 5, 2025, the following progress in 2024 along this Line of Effort was reported as follows:

- Increased community engagement in providing input to a variety of workgroups, forums, and outreach campaigns.
- HSD increased community member responses to the Community Development Needs Assessment by over 290%. In 2023 we received 316 responses and in 2024 we received 918; primary outreach included use of social media platforms including Instagram, Facebook, and NextDoor, promotion through Cities' partners, press releases, and more.
- Coordinated and hosted multiple community information sessions including:
    - Two Point in Time Count (PIT) community information and training sessions
    - Six Community Development Needs Assessment in-person community workshops
    - Four Welcome Home Village Community and Stakeholder information sessions
    - Three Homeless, Housing Assistance and Prevention Program community information and input sessions
    - Increased social media presence to share system wide homeless services information.

- For key initiatives, developed and implemented communications plans, which included press releases, media engagement, social media presence, and distribution of memos and talking points to stakeholders.
- Continued to facilitate access to countywide warming center services by coordinating a consistent notification system for service providers, emergency services, and general public.
- There were more than 250+ volunteers for the 2024 PIT Count – the largest public-facing event for HSD to date. Volunteers were recruited county-wide from media outreach, social media, and word of mouth with people participating from the Carizzo Plains to Cambria to Nipomo. Of the 250 volunteers, more than 30% shared that they had no affiliation with a volunteer organization or a homeless services provider, with the PIT Count being their introduction to addressing local homelessness.
- Held five in-person workshops regionally to promote community engagement in the Community Development Needs Assessment planning process
- Provided first annual report to the public on homeless services activities and progress on the Five-Year Plan to Reduce Homelessness

As part of the County's Financial Rebalancing and Resiliency Initiative, the Communications Program Manager position was eliminated beginning in FY 2025-26. This position oversaw community outreach including town hall events, media responses, social media communications, etc. This change affects how communications related to homelessness will be managed. Key functions such as public information dissemination, media coordination, and volunteer outreach for activities like the PIT count will need to be reassigned or supported by other County departments or external partners.

R2. The SLOCGJ recommends that the BOS provide the required update as to the status and anticipated completion date of a revised Master Tax Exchange Agreement.

☒ The recommendation will not be implemented because it is not warranted or is not reasonable

The stated completion date of December 1 2024, noted in F3 and R1 in the 2023-2024 SLOCGJ Report, *"Annexation: A Taxing Dilemma,"* was not met. This delay is primarily due to significant leadership transitions over the past two and a half years, which have impacted the continuity and progress of this initiative.

The County received a formal request from the SLOCGJ for an adopted, updated Master Tax Exchange Agreement, dated January 7, 2025. The County responded that such agreement was not yet adopted by the Board, that work on the effort was still being conducted, and that the Administrative Office was working towards bringing an updated agreement to the Board as soon as possible, in a letter dated January 8, 2025. The County received an informal email from the Grand Jury, requesting a specific future date when the updated agreement would be brought to the Board, on February 11, 2025.

Although Penal Code 933.05 (b) (2) requires a timeframe for implementation if a recommendation has not yet been implemented but will be implemented in the future, unfortunately a specific timeline for completion cannot currently be provided due to the ongoing nature of the work. The County intends to continue coordination with the cities on development of an updated Master Tax Exchange Agreement, however, a revised completion date has not yet been determined.

MOVING SAN LUIS OBISPO COUNTY FROM HOMELESSNESS TO HOPEFULNESS

Homelessness is not just a statistic; it is a human experience affecting our entire community. The County of San Luis Obispo Board of Supervisors (BOS) has recognized homelessness as the number one issue in the County, releasing a plan in 2022 to mobilize resources to combat the issues head on.

SUMMARY

The San Luis Obispo County Grand Jury (SLOCGJ) investigated the actions taken by the County and Cities to address homelessness as outlined in the “San Luis Obispo Countywide Plan to Address Homelessness 2022-2027” (The County’s Plan). The plan calls for a “whole-of-community effort to address homelessness to reduce the number of people experiencing homelessness by 50% of the current levels within 5 years.”

INTRODUCTION/PURPOSE

Homelessness is a serious issue that affects many people in the United States. According to the latest data from the Department of Housing and Urban Development (HUD), there were more than 653,000 people experiencing homelessness in the U.S. and 181,400 in California on a single night in January 2023. This was a 12% increase from 2022. Homelessness can have negative impacts on the health, well-being, and dignity of individuals and families as well as on the social and economic fabric of communities.

In San Luis Obispo County, homelessness increased by 32% from 2017 to 2019, reaching a total of 1,483 people as cited in the County’s 2022-2027 Homeless Plan. An updated Point-In-Time Count was conducted in January 2024; preliminary results released on May 6, 2024, indicate that the count has declined to 1,171. The Point-In-Time counts are an estimate based on a one-day blitz count of the visibly unhoused. Eighty percent of the homeless identified were unsheltered, meaning they lived in places not meant for human habitation such as streets, parks, cars, or encampments. The main causes of homelessness in the County were lack of affordable housing, unemployment and underemployment, substance abuse, mental illness, and domestic violence.

The County has developed a multifaceted five-year plan to address homelessness which includes six Lines of Effort:

1. creating affordable and appropriate housing and shelter options,
2. reducing barriers to housing stability,
3. improving data management,
4. streamlining funding and resources,
5. strengthening regional collaboration, and
6. building public engagement.

The County's Plan states it best:

> *"Making incremental increases in uncoordinated efforts to reduce homelessness is no longer an option for our region. This plan outlines a bold, housing-centric strategy to reduce the number of people experiencing homelessness to 50% of the current level within 5 years. Achieving this goal will require a whole-of-community effort that includes increasing the availability of non-congregate shelters; reexamining and diversifying funding sources; strengthening regional partnerships; and modernizing the data systems and structures that address homelessness."*

Homelessness means living in a state of constant insecurity, uncertainty, and vulnerability. The unhoused face many challenges such as lack of shelter, food, health care, education, and employment opportunities. They also experience social stigma, discrimination, and isolation from mainstream society. Homelessness can have negative impacts on their physical and mental well-being as well as their sense of dignity and self-worth.

Homelessness is a complex and multifaceted issue that affects our larger community which has implications for housed citizens. Some are concerned, frustrated, or angry about this issue, wondering why it is not being addressed. Some community members deal with issues such as litter, crime, or safety in their neighborhoods. Others may see the struggles of the homeless and may feel compassion, empathy, or sympathy for them. They may have to confront their own perceptions about the homeless and question their own values, beliefs, or responsibilities as members of the community.

As previously stated, the goal of The County's Plan is to reduce the number of people experiencing homelessness by 50% by 2027. The SLOCGJ examined the County's progress toward this goal.

ORIGIN

Last year's 2022-2023 SLOCGJ investigated the Oklahoma Safe Parking and found the San Luis Obispo County program was not working as intended. Addressing the problems at this site was essential due to safety concerns, County liability, and the need for better planning for any future safe parking initiatives. The 2023-2024 SLOCGJ was concerned that the unfavorable press regarding this specific site and some of its residents perpetuated an unfairly negative image of people caught in homelessness. As a result, the SLOCGJ sought to look broadly at the County's overarching plans and programs to address homelessness.

METHOD/PROCEDURE

The SLOCGJ used the following methods for its investigation:

- conducted interviews of City and County leadership,
- conducted interviews with other stakeholders related to affordable housing,
- spoke to several frontline homeless relief executives, workers, and volunteers in the County,
- toured various facilities and non-profits throughout the County, and
- reviewed documents including State, County and City Plans, Commission Reports, Non-profit Annual Reports, Program Reports, and various published reports and articles throughout the nation.

BACKGROUND

The first Line of Effort of The County's Plan for the first year was to find locations and start the building of nontraditional interim supportive housing with the goal of creating 300 units within three years. As of April 2024, the SLOCGJ was able to confirm the following new units/beds are operational, in the process of being built, or in the planning phase toward the 300-unit goal:

Interim Housing	New Units / Beds	City	Status
Five Cities Homeless Coalition – Cabins for Change 16th Street	20	Grover Beach	Operational
Sun Street Recuperative Care	6	San Luis Obispo	Operational
El Camino Homeless Organization - ECHO	20	Paso Robles	Operational
Five Cities Homeless Coalition – Cabins for Change 4th Street	30	Grover Beach	Operational
Welcome Home Village	34	San Luis Obispo	Planned Opening 2025
Pine Street Project	20	Paso Robles	Planned Opening – Late 2024
Total	**130**		

Note: This list does not include pre-existing units/beds or units designated for permanent housing.

The SLOCGJ was unable to confirm if the County is on track to meet the 300-bed goal by August 2025 as the County's Plan lacks specific benchmarks toward achievement of the Plan.

NARRATIVE

CHAPTER 1: THE COUNTY'S STRATEGIC PLAN LACKS QUANTIFIABLE GOALS

The "San Luis Obispo Countywide Plan to Address Homelessness 2022-2027" is a five-year plan containing general time frames for the plan completion to reduce homelessness by 50%. The SLOCGJ determined that The County's Plan lacks quantifiable goals that are needed to address the specific strategies being implemented in The County's Plan. Without specific metrics and conditions that relate to timelines and schedules, it is difficult to know whether The County's Plan is on track for success. Quantifiable goals are useful to inform the public and elicit public engagement.

CHAPTER 2: COUNTY LEADERSHIP AND TURNOVER

Multiple interviewees reported that staffing changes and vacancies within the County leadership created challenges in terms of completing actions required to support the implementation of The County's Plan on homelessness. The plan lacks specificity, and although the high-level goals were discussed, details were notably absent and noted as needing to be developed by incoming staff.

The County was able to provide information and progress on filling the vacant positions which included organizational changes that will introduce qualified individuals to the management team. Hiring efforts do not address future turnover, which could adversely impact the implementation of The County's Plan in the future.

CHAPTER 3: PLACING FACILITIES IN COMMUNITIES

"We need the dirt," meaning real estate. This was a common refrain heard repeatedly during the SLOCGJ investigation. "We need to move the homeless from unacceptable encampments and into more suitable and sustainable approved locations" was another.

The County's Plan calls for rapidly creating and supporting low cost, nontraditional interim housing solutions. To meet the goal, the County has been working with the Cities as well as several non-profits. While there have been successes, which are discussed in this report, there are still significant challenges in finding suitable sites for shelters, non-congregate transitional housing, affordable housing, and warming centers.

The SLOCGJ investigation revealed that the locations selected for these sites are often fraught with difficulties:

1. Zoning and Ordinance Complexities: The County as well as the Cities grapple with intricate zoning regulations and local ordinances when identifying suitable land for homeless shelters. Zoning laws dictate land use, density, and activities that are permitted within an area. These regulations often clash with the urgent need for shelter spaces. The

County's efforts to establish shelters have encountered roadblocks due to zoning restrictions that limit where such facilities can be located.

2. Public Opposition and NIMBY Syndrome: Many public officials advised that the "Not In My Backyard" (NIMBY) issue poses a significant challenge. When proposed shelter sites emerge, local residents often express resistance due to potential impacts on property values, safety, crime, and neighborhood aesthetics. While these concerns often have merit, Cabins for Change (CFC) and El Camino Homeless Organization (ECHO) demonstrate that well-managed shelter housing can be successfully integrated as part of a neighborhood.

The prolonged process of vetting land for shelter sites comes with a significant financial burden. Environmental assessments, legal consultations, and community-engagement efforts require financial resources. Additionally, delays caused by zoning disputes, public opposition, and bureaucratic hurdles prolong the process, sometimes jeopardizing funding.

For example, the County of San Luis Obispo received a $13.4 million grant from the State to develop interim and permanent very low-income housing. The County's first site slated for these facilities was to be located near Prado Road and South Higuera Street. Due to neighborhood concerns and zoning, the County had to look for a new site before funding expires in 2026. The longer it takes to establish shelters, the more taxpayers bear the burden of emergency services, law enforcement, clean-up efforts, and healthcare costs associated with the unsheltered homeless.

The SLOCGJ's investigation determined that the County as well as some Cities have not placed an emphasis on implementing Line of Effort 6, "Building public engagement through information and partnership." During the investigation, the SLOCGJ learned that the communication effort had been delayed due to County staff turnover. It is critical for the County to engage in transparent communication and form partnerships between County officials, non-profits, and the community at large. Communication efforts including advising and educating the public about the benefits of well-managed shelters, addressing misconceptions, and developing plans to address public concerns are key elements of the County's five-year plan.

Every SLOCGJ interviewee advised how addressing homelessness is a complex challenge and finding suitable sites for shelters, affordable housing, or warming centers has met with various obstacles. Examples of specific San Luis Obispo County sites experiencing setbacks and outcomes are as follows.

1. Prado Day Center Expansion (2019):
    - The Prado Day Center in San Luis Obispo provides services to homeless individuals during the day. There were plans to expand its capacity to accommodate more people.
    - Setback: The proposed expansion faced public opposition from nearby residents and businesses due to concerns regarding safety, property values, and neighborhood impact.
    - Result: Despite efforts to address concerns, the project was eventually halted due to community resistance.
2. Higuera Street Parking Lot (2020):
    - The City of San Luis Obispo explored using a vacant parking lot on Higuera Street as a temporary homeless shelter.
    - Setback: The proposal faced legal challenges related to zoning regulations and land use.
    - Result: The legal complexities and opposition led to delays, and the site was not utilized as planned.
3. South Higuera Street (2021):
    - Another site on South Higuera Street was considered for a permanent homeless shelter.
    - Setback: The proposal encountered resistance from neighboring businesses concerned about the impact on their operations.

- Result: Despite efforts to address concerns, the project faced neighborhood opposition and financial challenges and was not implemented.

4. Paso Robles Emergency Warming Center (2022):
   - The City of Paso Robles sought to establish an emergency warming center for homeless individuals during cold weather.
   - Setback: The proposed site faced zoning issues and concerns about its proximity to residential areas.
   - Result: The city struggled to find an alternative location that satisfied both safety requirements and community acceptance. The City is currently working on a grant to fund a community building that will also serve as a warming center.
5. Grover Beach Safe Parking Program (2023):
   - Grover Beach explored a safe parking program for people living in their vehicles.
   - Setback: Identifying suitable parking lots and obtaining necessary permits proved challenging.
   - Result: A lack of available sites and bureaucratic hurdles hindered the program's implementation. In the end, the city determined that Safe Parking was not a viable solution as it does not move people into permanent living solutions.
6. 40 Prado (2023):
   - The original plan, announced in 2020, was to add 40 tiny homes on its property to provide 90-day transitional housing for its clients.
   - Setback: In 2023 residents and businesses near the center expressed concerns about the potential impacts of the tiny homes on the neighborhood such as increased traffic, noise, crime, and decreased property values. They have also argued that the project does not comply with the zoning and land-use regulations of the area and have filed appeals and lawsuits to stop it.
   - Result: Despite efforts to address concerns, the project was eventually halted due to community concerns and zoning issues. The County is currently working to develop an alternate site near Johnson Avenue.

CHAPTER 4: COUNTY & CITY PARTNERSHIPS WITH NON-PROFITS FIND SUCCESS

The development of The County's Plan included the need to partner with various agencies and stakeholders, including non-profits. The SLOCGJ chose to focus on one of the identified groups, Homeless Service Providers. To support these efforts, the SLOCGJ interviewed representatives from the seven incorporated cities in the County and a member of the County BOS. Site visits were conducted at:

- Cabins for Change (CFC), operated by 5 Cities Homeless Coalition (5CHC),
- El Camino Homeless Organization (ECHO), and
- 40 Prado Homeless Services Center (40 PRADO), operated by the Community Action Partnership of San Luis Obispo (CAPSLO).

Of interest is how these non-profits are helping meet the goals of The County's Plan.

The BOS representative as well as all city representatives interviewed expressed their reliance on, and confidence in, these non-profit organizations. Without hesitation they acknowledged the importance of their working relationships with these non-profits in the successful outcome of a viable plan to address homelessness in the County.

A challenge for 5CHC, ECHO, and CAPSLO is their reliance on donations, fundraising, and grants, which comprise a large portion of their annual budgets. These funding sources are not on-hand in advance of operations but are raised throughout the year. These organizations are budgeted at levels they believe to be achievable but not sustainable for the long term. In addition, these organizations rely heavily on volunteers and donations of food and other supplies. Sustaining or increasing these funds to allow for expansion is challenging as grants and donations are not predictable year over year.

Different models exist for shelters. Non-congregate shelters differ from traditional communal shelters by providing individualized spaces for residents. Instead of large dormitory-style accommodations, non-congregate shelters offer private rooms or cabins, allowing each person, couple, or family to have their own space. The County's Plan calls for an increase in non-congregate shelters.

Programs offering a 90-day model are an innovative approach to addressing homelessness. These programs are designed to transition the individual into permanent housing rather than just providing temporary nightly shelter. Currently, both 5CHC and ECHO operate under a 90-day model. With 40 Prado's recent conversion to a 90-day model, there is currently no nightly drop-in shelter in the County.

Under the 90-day model, shelter residents are required to participate in programs designed to address their individual needs, foster stability, and facilitate transitions into permanent housing. Case managers are assigned to individuals to assess their needs, create personalized plans, and connect them with required resources. Case managers assist individuals with:

- securing identification documents,
- providing employment assistance
- training in life-skills, and
- accessing medical care, mental health support, substance abuse treatment, and social services.

The goal is to address the entirety of the situation, meeting each individual where they are in their life and transitioning them into permanent housing.

The County's Citizens' Homeless Accountability Commission (CHAC) 2023 Annual Report focusing on the goals and execution of the County's 5-Year Plan acknowledged that much of the data comes from nongovernmental service providers that may have a financial interest in positive reporting. The CHAC verified reports from these service providers and concluded that most are "performing extraordinarily well within the limits placed on them."

5 Cities Homeless Coalition (5CHC) / Cabins for Change (CFC)

Since opening its first 20 cabins in Grover Beach on December 23, 2022, and through mid-March 2024, the total number of individuals housed was 94. The program's goal is to obtain housing success within 90 days of entry. To date, 5CHC has achieved a 71% success rate of clients graduating to permanent housing. The average stay through March 2024 is 109 days due to a lack of available permanent supportive housing. As of May 2024, there were 310 individuals wait-listed for cabin shelter. The facility provides residents with private shelter and the opportunity to utilize available resources to take their next steps toward sustainable housing. The 5CHC problem-solving approach provides computer access, internet, phone, mailing address, food, and hygiene supplies in addition to basic shelter. The 5CHC also prevented 103 at-risk community members from losing their existing housing and entering homelessness with rapid financial assistance. A warming center is opened as needed during inclement weather. The 5CHC Outreach Team has specialized knowledge and serves as a bridge to community services such as housing, medical care, behavioral health, and substance abuse treatment. The 5CHC Outreach Team serves the south County.

Cabins for Change, Grover Beach Location 1

On May 3, 2024, 5CHC opened an additional 30-unit non-congregate shelter facility in Grover Beach. The City of Grover Beach purchased the land and offered the 5CHC a 55-year lease for the shelter. The Balay Ko Foundation donated approximately $2.6 million to the project, and Dignity Moves, a Santa Barbara-based company, is the developer for the cabins.

Cabins for Change, Grover Beach Location 2

El Camino Homeless Organization (ECHO)

ECHO began in an Atascadero church in 2001 and has grown over time. They currently have a total of 130 beds with 125 beds allocated to their 90-day shelter program and five night-by-night beds for emergencies. Of the 130 beds, 110 are located in Atascadero in a residential neighborhood with schools nearby. This placement within the community has been successful because ECHO prioritizes their responsibility as a good neighbor. The Atascadero location has congregate shelter beds designated for men, women, and families.

Converted Motel 6, Paso Robles

The newest addition to ECHO's program has been 20 beds in Paso Robles at a converted Motel 6. This location is operated in partnership with HASLO. ECHO operates the shelter beds while the Housing Authority of San Luis Obispo (HASLO) operates low-income permanent housing within the previous Motel 6 location. This partnership has allowed many who are sheltered at the location to move to a permanent bed while continuing to live within this supportive community. Those in permanent housing then become a hopeful demonstration of program success for new entries into the 90-day shelter beds. ECHO reports a success rate of 60% for moving people into permanent housing compared to progress in increasing the inventory of affordable housing, the national average of 10%. ECHO's most successful year was 2023 with 201 people becoming housed. At the time of the SLOCGJ visit in mid-March 2024, 62 people had become housed. Their waitlist for housing is approximately 330 individuals comprising the 130 people in their shelter program and an additional 200 unhoused that they interact with through their outreach program. Those 200 are often also waitlisted for a shelter bed. Occasionally, through the outreach team's efforts, permanent housing can be found before a shelter bed opens.

Representative Handprints on ECHO's Wall of Success

ECHO behavioral health case workers for both the shelter and the outreach program take a multifaceted and individualized approach to preparing their clients to successfully transition into permanent housing. Through these efforts their clients have a high success rate at staying permanently housed. Some of these efforts include teaching life skills for employment, financial literacy, health care management, and parenting.

Services offered through ECHO include:

- overnight shelter,
- meals,
- showers,
- laundry,
- mail/phone services, and
- access to case management.

The meal program is central to the ECHO operation. Meals are offered free of charge to anyone. The program serves their shelter clients and also the larger community. Homeless individuals hesitant to engage with the ECHO outreach team can come for meals and gradually develop trust that may lead to future engagement. Clients that have been successfully housed continue to be welcomed for meals to maintain their connection to this supportive community. Additionally, the meal program provides some homeless prevention when income levels put someone in the position of having to choose between rent and food.

40 PRADO HOMELESS SERVICES CENTER / CAPSLO

The Homeless Services Division of CAPSLO serves the unhoused community of San Luis Obispo County, utilizing funds in three major programs:

- Sheltering at 40 Prado which includes Safe Parking and a warming center as needed,
- Recuperative Care Program, and
- Case Management, which supports the unhoused and links them to needed resources.

Since 1989, CAPSLO's Homeless Services Division has provided programs aimed to help homeless individuals and families achieve economic stability and overcome obstacles to successful permanent housing.

The 40 Prado Homeless Service Center aids individuals and families to help move them to self-sufficiency. The total capacity is 128 beds, 95 of which are for adults. Services include:

- overnight shelter,
- meals,
- showers,
- laundry,
- mail/phone services,
- access to case management,
- primary medical care, and
- animal kennels.

In addition to the sheltering program at 40 Prado, the unhoused community is offered a Safe Parking Program allowing individuals to have a safe place to park their vehicles onsite overnight. An onsite warming center is opened during inclement weather.

40 Prado services includes a Recuperative Care Program which provides 10 beds and a safe place to convalesce for individuals who would otherwise be discharged to the streets. This program provides around-the-clock staffing, case management, and a registered nurse. Intake to this program is from local hospitals and skilled nursing facilities.

Since implementing the 90-day shelter program in September 2023 through February 2024, there have been 132 participants. Of those 82 have been successfully housed, and 104 remain on a wait list. The average length of stay was 94 days.

CHAPTER 5: FUNDING FOR NON-PROFITS

There are several funding sources available for homeless programs in San Luis Obispo County. These include funding from government agencies including federal, state, County and City, as well as grants and private contributions. The SLOCGJ reviewed operations of three nonprofit organizations that provided homeless services for the County: Five Cities Homeless Coalition (5CFC), El Camino Homeless Organization (ECHO), and CAPSLO (40 Prado).

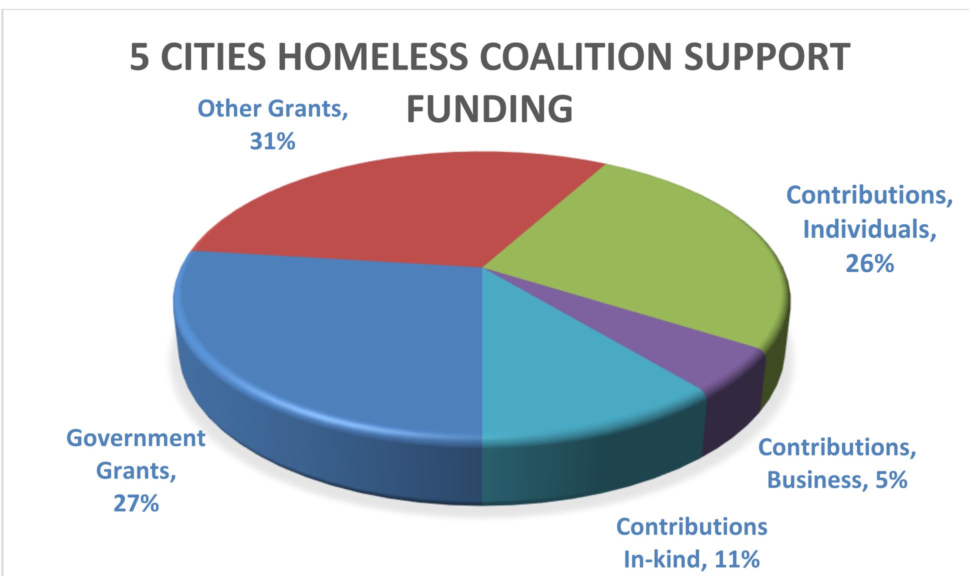
Cabins for Change (CFC) / 5 Cities Homeless Coalition (5CHC)

Five Cities Homeless Coalition, Inc., (5CHC) classifies funds as Revenue (77%) and Support (23%). The sources of the funding for Revenue Category are:

- Government Contracts 99%
- Special Events and other fundraising 1%

The sources of the funding for Support Category are:

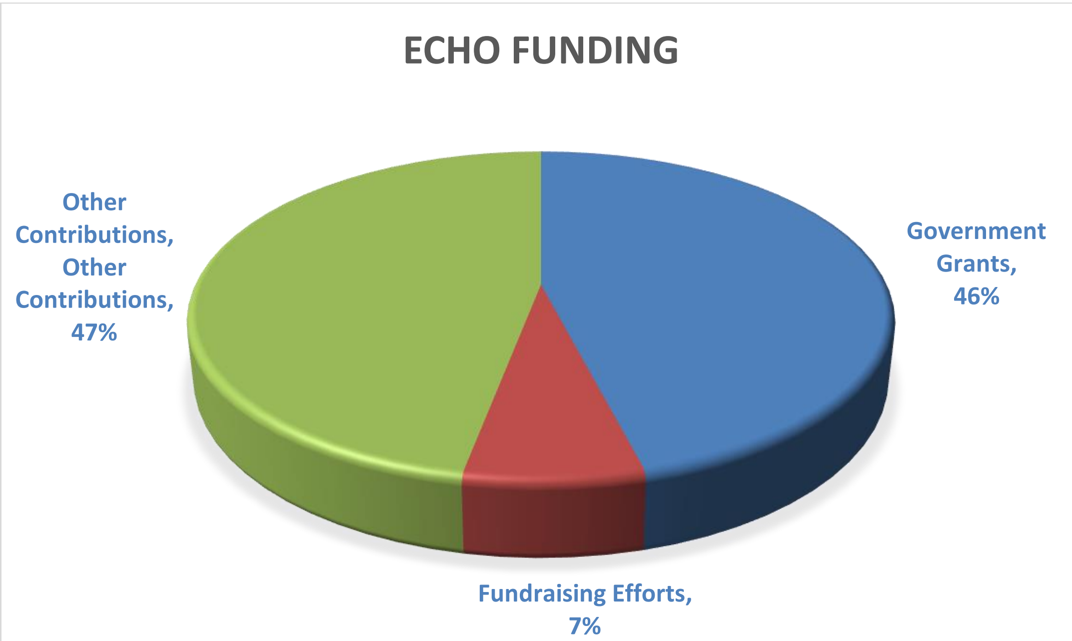
- Government Grants 27%
- Other Grants 31%
- Contributions from Individuals 26%
- Contribution from Businesses 5%
- Contributions in-kind 11%



El Camino Homeless Organization (ECHO)

El Camino Homeless Organization (ECHO) funding is sourced from three different monetary categories:

- Fundraising Events 7%
- Government Grants 46%
- All other contributions 47%



40 PRADO HOMELESS SERVICES CENTER / CAPSLO

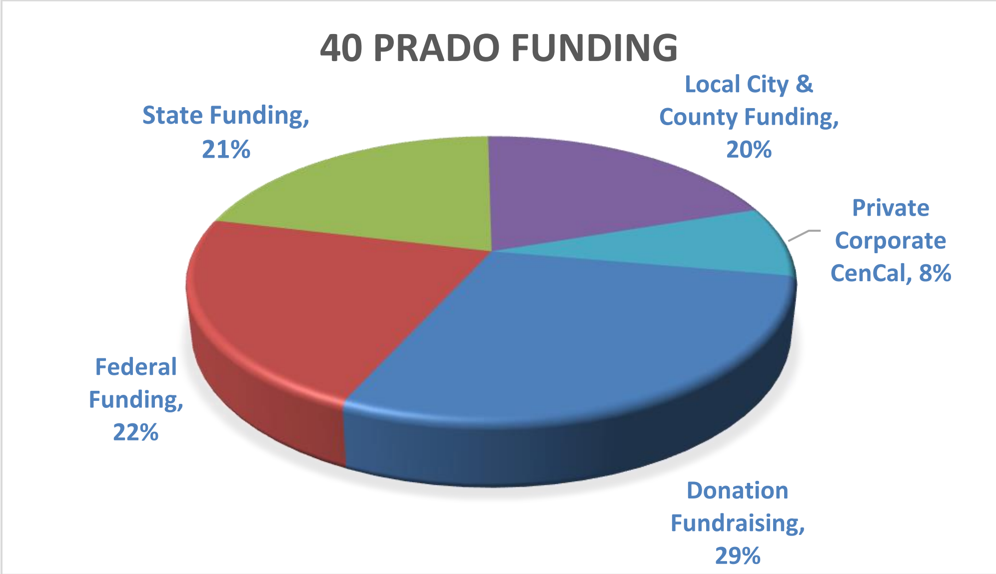
Homeless Division of CAPSLO (40 Prado) funds three major programs:

1. Shelter, Safe Parking, and Warming Center,
2. Recuperative Care, and
3. Case Management.

1. The Shelter, Safe Parking, and Warming Center percentages of the funding are:

- Donation/Fundraising 29%
- Federal Funding 22%
- State Funding 21%
- Local County and City 20%

- Private/Corporate-CenCal Health 8%



2. Recuperative Care funding comes from Private / Corporate-CenCal Health.

3. The Case Management percentages of funding are:

- Federal Funding 34%
- State Funding 22%
- Local County and City Funding 1%
- Private / Corporate-CenCal Health 43%

Overall, for these non-profits, the SLOCGJ found government grants range from 40% to 60% of the total funding. These grants have stipulations on funding resources and specific time periods and may not be relied upon as a permanent source of income to the organizations. The private contributions range from 35% to 50% and play a major role in the operations of these organizations.

Local governments rely on non-profits for full implementation of The County's Plan. The challenge for our local government is to help secure ongoing funding for these vital partners.

CHAPTER 6: OUTREACH EFFORTS

The County and Cities deal with the lack of beds for the homeless through the use of outreach teams sometimes known as a Community Action Team or a CAT Team. These teams often consist of a police officer, a mental health worker, and a social worker. It is not uncommon for a medical professional or a firefighter to join a team. The purpose of the CAT Teams is to go into the community and develop a trust-building relationship with homeless individuals to create a path to services and ultimately to permanent housing.

Many of the homeless suffer from mental health issues, addictions, or physical disabilities that can be factors into them being unhoused. The comprehensive make-up of the CAT Teams allows most issues of the homeless to be addressed. The mental health worker and the social worker have access to many services provided throughout the County and will develop a plan tailored to the individual that will assist them in getting them off the street. The police officer acts as a liaison between the homeless and the legal system. The police have specialized training in engaging with the homeless and offering options that minimize the risk of incarceration.

The County has a full-time Behavioral Health Community Action Team (BHCAT) which includes a specially trained deputy and members of the County's Behavioral Health staff. This County team has formalized partnerships with the Paso Robles and the Atascadero Police Departments.

The City of San Luis Obispo has two outreach teams dealing with homelessness -- the Homeless Outreach Team (HOT) and the Projects for Assistance in Transitions from Homelessness (PATH). HOT is the action team that goes into the community to respond to those experiencing a mental health crisis. This team consists of a nurse, a psychiatric technician, a behavioral health therapist, a Transitions-Behavioral Health Association (TMHA) peer support specialist, two TMHA outreach workers, and a TMHA Case Manager. This team interacts with approximately 200 people yearly. PATH is the outreach service that engages with the homeless that are not currently connected to the services available to them.

ECHO is also heavily involved with outreach to the homeless in Paso Robles and Atascadero. ECHO Atascadero is contracted with the City of Atascadero to provide behavioral health workers for the team. The team in Paso Robles includes a police officer, a case manager, and County behavioral worker. An administrator for ECHO reported that these outreach teams have been very successful in interacting with the homeless and leading them to the help they need.

Morro Bay's representative indicated that their City does not have an official CAT Team, but there are police officers and firefighters with special training to assist with the needs of the homeless.

The Five Cities Homeless Coalition (5CHC) provides trained outreach support from Avila Beach to the Santa Barbara County border with the goal of guiding the homeless to appropriate services.

CHAPTER 7: LACK OF TRANSITIONAL AND AFFORDABLE HOUSING

The availability of affordable housing and its effect on homelessness are continually identified as priority concerns by residents as well as County and City officials. The issues of homelessness and affordable housing are intertwined. First, to successfully transition the unhoused, there must be permanent housing options available to them. Second, affordable housing is necessary to prevent people from becoming unhoused. The County of San Luis Obispo has recognized this by creating the Homeless and Affordable Housing Division of the Department of Social Services in 2023.

The following table extracted from a report by the California Housing Partnership and data from the California Department of Housing and Community Development illustrates the Housing Cost Burden by income levels.

HOUSING COST BURDEN BY INCOME LEVEL		
Income Level as Percentage of Area Median Income (AMI)	**Percent With Housing Cost Greater Than 30% of Income**	**Percent With Housing Cost Greater Than 50% of Income**
Extremely Low Income <30% of AMI ($25,319)	87%	83%
Very Low Income 30% to 50% of AMI ($25,319 - $42,199)	77%	43%
Lower Income 50% to 80% of AMI ($42,199 - $67,518)	63%	16%
Moderate Income 80% to 120% of AMI ($67,518 – $101,277)	39%	5%
Above Moderate Income >120% of AMI ($101,277)	7%	1%

Access to affordable housing disproportionally impacts the lowest income earners, earning less than 80% of the AMI. In San Luis Obispo County, only 8% of the housing units would be affordable to households earning less the 30% of the AMI. As a result, this places these households at an increased risk of becoming homeless or living in overcrowded conditions. For very low and low-income earners, 70% reside in overcrowded housing conditions.

Seniors (age 62 and older) are a growing population in the County. Seniors represent more than a third of households earning less than 80% of the AMI. A significant number of seniors have housing cost burdens greater than 30% of their income, and a large percentage face housing costs greater than 50%.

The lack of affordable housing has broader impacts on employment and the economy. During the SLOCGJ's investigation, many County department heads expressed a lack of staffing in their departments as a major concern. One impediment to recruiting qualified candidates is the cost of housing in the County. Private industries and other professional services such as medical providers, educators, and others have experienced difficulty in procuring housing at affordable levels. Due to the high cost of housing in San Luis Obispo County, businesses and industries that could provide head of household jobs are reluctant to locate in the County.

The Regional Housing Needs Assessment (RHNA) identifies the need for 3,256 new housing units in the County. Of those units, 1,891 were identified as needed for moderate and below moderate-income earners. Since January 1, 2019, the County has permitted 368 units, and 239 of the 1,891 have been built. The County has recognized the critical nature of this issue and has addressed it in the Housing Element (HE) of the 2020 General Plan. The HE lists more than 30 strategies regarding housing. The County staff prepared "The 2020-2024 Consolidated Plan and 2020 Action Plan" which provides a thorough analysis of affordable housing in the County. Organizations such as REACH, The California Housing Project, Road Map Home 2030, and others have done an extensive review of the issue.

Although slow, progress in increasing the inventory of affordable housing is occurring. Many non-profit agencies have worked to fill the gap. People's Self-Help Housing, CAPSLO, HASLO, and Habitat for Humanity have all been integral in providing housing units. The County has identified sites and approved projects in Templeton, Nipomo, and San Miguel.

In 2023 the County dedicated $11.1 million to the development of Affordable Housing and Permanent Supportive Housing projects. The Planning and Building Department identified the following anticipated projects.

In 2024, an estimated total of 381 units are planned:

- Atascadero – 75 units
- Morro Bay - 35 units
- Nipomo – 10 units
- Paso Robles – 79 units
- Pismo Beach – 76 units
- San Luis Obispo – 106 units

In 2025 (and beyond), an estimated total of 691 units are planned:

- Arroyo Grande – 63 units
- Atascadero – 114 units
- Cambria – 33 units

- Grover Beach – 53 units
- Paso Robles – 78 units
- San Luis Obispo – 322 units
- Templeton – 28 units

Additionally, the Dana Reserve Project which includes affordable housing components was approved by the BOS on April 24, 2024.

Several factors have been identified that contribute to the slow progress. These include:

- Length and cost of permitting process,
- Environmental Impact Reports,
- High builder fees,
- Community concerns,
- Lack of land inventory, and
- Infrastructure resources including water, sewer, transportation.

CONCLUSIONS

This investigation concentrated on the "San Luis Obispo Countywide Plan to Address Homelessness 2022-2027," and examined not only the County's responsibilities under that plan, but the mutual responsibilities of our cities and the critical role played by nonprofit organizations. Specific challenges included recruitment and retention of personnel essential to addressing homelessness, the difficulty in securing sites for transitional and permanent housing, finding secure annual funding for ongoing and new programs, providing education to the unhoused and to community residents alike, and the lack of affordable housing. The report also cites examples of successful transitional housing efforts in San Luis Obispo County. During these inquiries, the SLOCGJ met many knowledgeable and concerned individuals who have accepted leadership and operational roles in solving the issues of homelessness in our communities. The challenges are daunting, and progress is never enough, but the collective efforts of San Luis Obispo County's leaders, nonprofit partners, benefactors and dedicated professional staff are showing promise toward our goals.

FINDINGS

F1. There is an absence of predictable year-over-year funding for homeless programs. The "San Luis Obispo Countywide Plan to Address Homelessness 2022-2027" relies heavily on partner agencies without providing adequate ongoing funding to those agencies.

F2. The County's staffing turnover and reorganization of its homeless services has caused the overall progress of the implementation of the "San Luis Obispo Countywide Plan to Address Homelessness 2022-2027" to be slower than projected and is at risk of not meeting County goals.

F3. The County's selection and vetting process for homeless services site selection has not always been successful due to zoning, ordinances, and public perception of the homeless.

F4. The County has failed to implement a cohesive public awareness plan on homeless issues resulting in insufficient public engagement.

F5. The "San Luis Obispo Countywide Plan to Address Homelessness 2022-2027" lacks quantifiable details and specificity to track progress toward meeting their stated goals.

RECOMMENDATIONS

R1. The San Luis Obispo County Grand Jury recommends that the County revise its plan to include more specific and quantifiable timelines for implementing the "San Luis Obispo Countywide Plan to Address Homelessness 2022-2027" by December 31, 2024.

R2. The San Luis Obispo County Grand Jury recommends that the County implement effective knowledge transfer management and succession planning practices to minimize the impact of staff turnover on completing the required tasks to ensure performance to the "San Luis Obispo Countywide Plan to Address Homelessness 2022-2027" by December 31, 2024.

R3. The San Luis Obispo County Grand Jury recommends that the County aggressively implement its plan for a comprehensive public awareness campaign to advise the community on homelessness issues. It is further recommended that the County and Cities work together to provide a cohesive voice. The San Luis Obispo County Grand Jury recommends completion by December 31, 2024.

REQUIRED RESPONSES

The Board of Supervisors is required to respond to R1 – R3.All responses shall be submitted to the Presiding Judge of the San Luis Obispo County Superior Court within 90 days of submission of the report. A paper and an electronic version of all responses shall be provided to the Grand Jury.

933.05. Findings and Recommendations

(a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:
  (1) The respondent agrees with the finding.
  (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:
  (1) The recommendation has been implemented, with a summary regarding the implemented action.
  (2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.
  (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.

(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore [sic].

Presiding Judge	Grand Jury
Presiding Judge Rita Federman Superior Court of California 1035 Palm Street Room 355 San Luis Obispo, CA 93408	San Luis Obispo County Grand Jury P.O. Box 4910 San Luis Obispo, CA 93403

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RESPONSE TO GRAND JURY REPORT

Report Title: "Moving San Luis Obispo County From Homelessness to Hopefulness"

Report Date: June 18, 2024

FINDINGS

1. I (we) agree with the findings numbered: F1
2. I (we) disagree wholly or partially with the findings numbered: F2, F3, F4, F5
   (Attach a statement specifying any portions of the findings that are disputed; include an explanation of the reasons.)

RECOMMENDATIONS

1. Recommendations numbered ______ have been implemented.
   (Attach a summary describing the implementation actions.)

2. Recommendations numbered ______ have not yet been implemented, but will be implemented in the future.
   (Attach a timeframe for the implementation.)

3. Recommendations numbered ______ require further analysis.
   (Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of the publication of the Grand Jury report.)

4. Recommendations numbered R1, R2, R3 will not be implemented because they are not warranted or are not reasonable.
   (Attach an explanation.)

Number of pages attached: 3

FINDINGS

F1. There is an absence of predictable year-over-year funding for homeless programs. The "San Luis Obispo Countywide Plan to Address Homelessness 2022-2027" relies heavily on partner agencies without providing adequate ongoing funding to those agencies.

☒ We Agree with this Finding

The County budgets $10.7 million per year for homelessness (within the Homeless Services Division). Of that, $5.7 million comes from State and Federal agencies although these funding sources are not guaranteed year over year. Of that $5.7 million, $4.6 million act as a pass through to support partner agencies. The remainder of financing sources includes $4.9 million from the County General Fund, $1.9 million is allocated to partner agencies with $1.1 million to support Housing Now and the remainder supporting various projects including $379,000 to fund homeless programs allocated for service providers based on a competitive application process as part of the County's Action Plan process.
Despite these funding sources, the lack of consistent, predictable funding poses a significant challenge for sustaining homeless programs effectively over time and may impact the continuity and effectiveness of homeless programs, as well as the ability to plan and implement long-term solutions to address homelessness. The County Board of Supervisors, per the current County adopted State legislative platform, supports legislative and budget proposals to ensure ongoing and stable state funding for homeless programs and services as well as to ensure that supportive services funding is including in the array of homeless solution grants and allocations.

F2. The County's staffing turnover and reorganization of its homeless services has caused the overall progress of the implementation of the "San Luis Obispo Countywide Plan to Address Homelessness 2022-2027" to be slower than projected and is at risk of not meeting County goals.

☒ We Wholly or Partially Disagree with the Finding for the following reasons:

The Homeless Services Division was established within the Department of Social Services on August 9, 2022, following the approval of the San Luis Obispo Countywide Plan to Address Homelessness by the Board of Supervisors. While it's acknowledged that staffing turnover and reorganization within the County's homeless services may have introduced challenges, it's important to note that the extent to which these changes have affected the pace of implementing the 'San Luis Obispo Countywide Plan to Address Homelessness 2022-2027', is de minimis at best. . Despite these transitions, significant progress has been made, showcasing the dedication of individuals involved and their contributions to addressing homelessness. While there may have been a minimal impact on the pace of implementation, the County remains committed to effectively addressing homelessness within the community by recognizing achievements and adapting to changing circumstances.
It should be noted that, in alignment with the County's plan to end homelessness, much of the work undertaken during 2023 and into 2024 happened behind the scenes. One major example of this was implementation of a the new HMIS, Clarity, which occurred on time despite the challenges presented. The HMIS team worked extensively with system partners to ensure that all system partners were trained, had policies in place and were ready to seamlessly transition into the new HMIS. With phase one of implementation now completed, County staff can now turn their attention to further expanding use of the HMIS which will be leveraged to measure progress toward goal achievement including being able to more readily share data with the broader community. A second example is the work currently underway to examine coordinated entry practices which includes updating tools and creating policies and processes to support a high functioning system. Much groundwork has been paid which will be leveraged over the coming year to improve the coordinated entry system countywide.

F3. The County's selection and vetting process for homeless services site selection has not always been successful due to zoning, ordinances, and public perception of the homeless.

☒ We Wholly or Partially Disagree with the Finding for the following reasons:

Zoning regulations and ordinances often dictate where certain types of facilities, including homeless shelters or service centers, can be located within a community. These regulations may limit the available options for site selection and can sometimes create barriers to establishing new facilities in areas where they are most needed.

Moreover, funding restrictions for certain projects can further constrain the range of viable options, limiting the flexibility in site selection decisions. As a result, navigating both zoning regulations and funding constraints becomes essential in effectively addressing the needs of homeless populations and ensuring the successful establishment of essential facilities and services within communities. While zoning may pose a barrier, the County has assertively pursued all options available to overcome zoning barriers and utilized all available tools. Additionally, when a barrier is identified the County has worked swiftly to address the barrier including advocacy at the appropriate commission, application of appropriate exemptions and outreach and advocacy with the local community to gain support.

F4. The County has failed to implement a cohesive public awareness plan on homeless issues resulting in insufficient public engagement.

☒ We Wholly or Partially Disagree with the Finding for the following reasons:

As part of the San Luis Obispo Countywide Plan to Address Homelessness Line of Effort Six focuses on building public engagement through information sharing including engaging and educating the public and other key stakeholders with outreach materials, data dashboards, and improving community partnerships to increase support for addressing the needs of the homeless .As presented to the Board of Supervisors on May 21, 2024 during the Homeless Services Division annual update, the following progress was made:

- Increased community engagement in providing input to a variety of workgroups, forums, and outreach campaigns.
- HSD increased community member responses to the Community Development Needs Assessment by over 2100%. In 2022 we received 14 responses and in 2023 we received 316; primary outreach included use of social media platforms including Instagram, Facebook, and NextDoor, promotion through Cities' partners, press releases, and more.
- Coordinated and hosted multiple community information sessions.
- Increased social media presence to share system wide homeless services information.
- For key initiatives, developed and implemented communications plans, which included press releases, media engagement, social media presence, and distribution of memos and talking points for to stakeholders.
- Improved access to countywide warming center services by developing and coordinating a consistent notification system for service providers, emergency services, and general public.
- There were more than 250+ volunteers for the 2024 PIT Count – the largest public-facing event for HSD to date. Volunteers were recruited county-wide from media outreach, social media, and word of mouth with people participating from the Carizzo Plains to Cambria to Nipomo. Of the 250 volunteers, more than 30% shared that they had no affiliation with a volunteer organization or a homeless services provider, with the PIT Count being their introduction to addressing local homelessness.
- Created centralized resource "Get Involved" webpage to direct interested community members to opportunities to volunteer opportunities.
- Implemented a media relations plan to improve Homeless Services Division accessibility and authoritative credibility.

F5. The "San Luis Obispo Countywide Plan to Address Homelessness 2022-2027" lacks quantifiable details and specificity to track progress toward meeting their stated goals.

☒ We Wholly or Partially Disagree with the Finding for the following reasons:

The San Luis Obispo Countywide Plan to Address Homelessness includes the following specific targets:

(1) Reduce the number of people experiencing homelessness to 50% of the 2022 levels within five years.
(2) Reduce the number of people experiencing unsheltered homelessness to 50% of the 2022 level within five years.
(3) Build at least 300 interim housing units, 500 permanent supportive housing units and 1,667 low-income Housing units.

The Five-Year plan laid out six lines of effort as a roadmap to guide data-based decision making and focused efforts that would result in achieving these specific targets and ultimately reducing homelessness. Tracking of these performance measures is made available in the County of San Luis Obispo Budget in accordance with the County's Five-Year Plan to Address Homelessness as well as in annual updates to the Board of Supervisors.

RECOMMENDATIONS

R1. The San Luis Obispo County Grand Jury recommends that the County revise its plan to include more specific and quantifiable timelines for implementing the “San Luis Obispo Countywide Plan to Address Homelessness 2022-2027” by December 31, 2024.

☒ The recommendation will not be implemented because it is not warranted or is not reasonable.

The current Countywide Plan already incorporates detailed timelines and measurable goals for each initiative outlined. These timelines are designed to track progress and ensure that milestones are achieved within specified timeframes. Additionally, the plan includes performance metrics to evaluate our success in reducing homelessness, increasing housing units, and improving community engagement.

- Reduce the number of people experiencing homelessness to 50% of the 2022 levels by the end of 2027.
- Decrease the number of people experiencing unsheltered homelessness to 50% of the 2022 level by the end of 2027.
- Construct at least 300 interim housing units by 2027.
- Build 500 permanent supportive housing units by 2027.
- Develop 1,667 low-income housing units by 2027.

On May 21, 2024 the Board provided direction on future reporting rates for updates on the County’s Five-Year Plan to reduce homelessness, as follows:

- Full homeless services update, and presentation completed every two years to align with the Point in Time Count.
- On opposite years, the Homeless Services Division will provide a brief update with the data currently available.

R2. The San Luis Obispo County Grand Jury recommends that the County implement effective knowledge transfer management and succession planning practices to minimize the impact of staff turnover on completing the required tasks to ensure performance to the “San Luis Obispo Countywide Plan to Address Homelessness 2022-2027” by December 31, 2024.

☒ The recommendation will not be implemented because it is not warranted or is not reasonable.

The County already has existing frameworks and resources in place to manage knowledge transfer within our operational departments. These practices are regularly reviewed and updated to meet organizational needs. Given our current fiscal and operational priorities, dedicating additional resources specifically for the purposes outlined in the recommendation would duplicate existing practices and divert attention and resources away from other critical initiatives related to homelessness prevention and intervention. Efforts remain focused on documenting critical information, strategies, and best practices among staff.

R3. The San Luis Obispo County Grand Jury recommends that the County aggressively implement its plan for a comprehensive public awareness campaign to advise the community on homelessness issues. It is further recommended that the County and Cities work together to provide a cohesive voice. The San Luis Obispo County Grand Jury recommends completion by December 31, 2024.

☒ The recommendation will not be implemented because it is not warranted or is not reasonable.

As indicated in Finding 4, the County through Line of Effort Six of the San Luis Obispo Countywide Plan to Address Homelessness has actively pursued public engagement. This includes extensive community outreach, engagement through social media platforms, partnerships with local entities, and participation in community forums and workgroups. The County’s current efforts adequately address the need for a comprehensive public awareness campaign with existing resources and strategic frameworks.

ANNEXATION: A TAXING DILEMMA

Does a tax exchange agreement for annexation adopted in 1996 remain relevant for all concerned parties in 2024?

INTRODUCTION/PURPOSE

The San Luis Obispo County Grand Jury investigated Resolution 96-158 which established a Master Tax Exchange Agreement (MTEA), adopted by the San Luis Obispo Board of Supervisors (BOS) on April 24, 1996. The agreement outlines how property taxes will be allocated between the County and a city when a new area is annexed to a city. The agreement, which has not been revised in 28 years, was noted as a contributing factor in some Cities' reluctance to participate in residential annexations.

The Grand Jury sought to determine whether the resolution detailing the tax split between the County and the Cities might be affecting the Cities' willingness to engage in annexation agreements. The consequence of non-participation could impact the availability of new housing projects, including much-needed affordable and low-income options in the region.

ORIGIN

The Grand Jury received comments and concerns from several city officials regarding the current MTEA. This agreement is perceived as unfairly splitting the property tax revenue between the County and the Cities. Despite years of the Cities requesting to re-examine the agreement, it has not occurred.

METHOD/PROCEDURE

The Grand Jury conducted 11 interviews and reviewed the following pertinent documents:

- Resolution 96-158,
- contracts,
- analyses completed by city officials,
- consultancy reports,
- Local Agency Formation Commission (LAFCO) reports, and
- agreements from other counties.

BACKGROUND

Property tax is a major source of revenue for both counties and cities in California. When a county annexes land to a city, it means that the city assumes the responsibility of providing services such as police, fire, water, sewer, parks and recreation, road maintenance, and in some cases libraries in the annexed area. The county maintains its jurisdiction over the area and still must provide some countywide services, such as public health, social services, county road maintenance, sheriff, fire, judicial system, jails, regional planning, and general government functions. Therefore, an equitable property tax split is important to ensure that both the county and the city have adequate funds to provide services.

According to the California Revenue and Taxation Code, the property tax split between a county and a city is determined by a negotiation process that involves LAFCO, the county auditor, and the affected local agencies. The negotiation must address the fiscal impact of the annexation on the county and the city as well as the level and cost of services that each agency will provide to the annexed area. The negotiation must also comply with the state requirements for the county to remain at a minimum revenue neutral, meaning that the county's net revenues after the annexation should not be less than its net revenues before the annexation.

The tax code allows for jurisdictions to adopt a MTEA which may be between the county and the cities or between the county and each individual city. This document serves as a contract and specifies how property tax revenues will be shared when the county annexes land to the city. There is no requirement to have an overarching MTEA, however in its absence there must be a tax exchange agreement created for each individual annexation. The importance of having an overarching MTEA is to provide consistency in the process by making it predictable and preventing protracted negotiations. This is desired by both parties and by potential developers as it enables them to understand the dynamics of proposed projects. It should be noted that these agreements are not fully binding. There are provisions that allow for a mediation process if there is disagreement.

NARRATIVE

On April 24, 1996, the BOS adopted Resolution 96-158 establishing an MTEA. The agreement details how the County and Cities will split property tax revenues when annexations are completed. Despite being adopted as a county-wide agreement, the Cities of Paso Robles, Atascadero, and Pismo Beach did not agree to the MTEA.

The resolution, adopted 28 years ago, was based on a 1996 Fiscal Neutrality Study that was contracted by an external consultancy firm. Several City and County representatives have agreed that circumstances have changed, and the calculations currently used are no longer relevant. Several Cities that would consider annexation in their plans for growth informed the Grand Jury that the MTEA would lead to a financial deficit. As a result, they are hesitant to contemplate new annexations.

There have been annexations since the implementation of the MTEA. The City of San Luis Obispo provided an example of how they overcame the financial inability to provide the initial infrastructure and ongoing services to a new development by imposing a Mello-Roos tax. A Mello-Roos tax is defined as a special tax levied on properties in a Community Facilities District (CFD). This tax is used to finance public improvements and services, including roads, parks, schools, and fire protection. Unlike regular property taxes, a Mello-Roos tax is not based on the property value; rather, it is determined by the benefit received by the property owner from the improvements and services.

In 2019, the San Luis Ranch CFD, was established by the City of San Luis Obispo to fund the necessary infrastructure. In addition to the regular property tax, homeowners in the San Luis Ranch CFD pay an average of $2,750 per year in a Mello-Roos tax. A City representative suggested that if there were a more equitable MTEA the Mello-Roos tax could possibly be reduced or eliminated. Without a Mello-Roos or more tax sharing, the cost of the development infrastructure and ongoing services would be paid by the entire residents of the city.

The Grand Jury discovered that the 1996 resolution requires the County and Cities to re-examine the "policies at five-year intervals to ensure they remain appropriate and current for all parties." However, the Grand Jury found no evidence of completed renegotiations for any of the subsequent five-year intervals. In addition, the Grand Jury reviewed documents dating back to 2018 and received statements that indicate the Cities have requested the County to re-examine the agreement as far back as 2014.

In 2019 the County engaged with all Cities to determine their interest in conducting a new property tax-sharing study. The goal was to provide information for the update of the MTEA to account for the many influencing factors that have changed since the original 1996 agreement. Among the seven Cities within the County, four expressed interest: Arroyo Grande, San Luis Obispo, Paso Robles, and Atascadero. The County and the participating Cities collaborated to develop the scope of a fiscal impact study to help formulate a new agreement.

On November 2, 2021, the BOS approved a contract for $187,400 with a consultant, the Natelson Dale Group, to provide a financial analysis and modeling to inform a revised tax-sharing agreement. Additionally, this contract included an option for each city to contract a unique city-level evaluation. In such cases, the City would be responsible for the cost of their own city-centric study.

The Grand Jury found no evidence that the study was completed per the contract. The original contract, which expired in November 2022, was extended by the County an additional year to be completed by November 2023. The County has advised that the Natelson Dale Group report had not been completed due to the County not providing the data needed for financial modeling. The County Administrators Office advised that they intend to seek approval from the BOS to allow the contract to be extended once again for report completion in 2024. The Grand Jury did ascertain that some Cities engaged and received city-specific information from the contractor. To date the County and Cities have paid approximately $93,000 for the completion of the study. As of the date of this report, several Cities are still actively attempting to engage with the County.

Since policies are not within the jurisdiction of the Grand Jury, the Grand Jury has made no determination as to the equity of the revenue split. The Grand Jury was able to ascertain that given the changed financial circumstances and priorities of the parties, the revenue split is no longer relevant.

CONCLUSIONS

The Grand Jury has concluded that the County of San Luis Obispo has not met the requirement to re-examine the MTEA every five years as required in Resolution 96-158. The County has not taken substantial action despite all parties agreeing that a re-examination is long overdue. The absence of an updated agreement has been noted by some Cities as a deterrent to complete annexations.

FINDINGS

F1. Resolution 96-158, the Master Tax Exchange Agreement was adopted by the San Luis Obispo Board of Supervisors 28 years ago, on April 24, 1996. Although the agreement was not agreed to by all seven Cities within the County, the County has continued to use the agreement as the basis for annexation negotiations.

F2. The County has failed to re-examine the Master Tax Exchange Agreement every five years as required in Resolution 96-158.

F3. In November 2021, the County of San Luis Obispo along with the Cities of Arroyo Grande, Atascadero, Paso Robles, and San Luis Obispo engaged in a contract with an outside consultancy firm to perform a financial analysis to inform a revised tax sharing agreement. The study, contracted for cost of $187,400, has not been completed due to the County not providing the modeling information needed by their consultant.

RECOMMENDATIONS

The Grand Jury respectfully recommends the following:

R1. The Grand Jury recommends that the Board of Supervisors of San Luis Obispo County complete an updated Master Tax Exchange Agreement with the Cities by December 1, 2024.

REQUIRED RESPONSES

The San Luis Obispo County Board of Supervisors is required to respond to R1.

All responses shall be submitted to the Presiding Judge of the San Luis Obispo County Superior Court within 90 days of submission of the report. A paper copy and an electronic version of all responses shall be provided to the Grand Jury.

Submitted May 17, 2024

933.05. Findings and Recommendations

(a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:
  (1) The respondent agrees with the finding.
  (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:
  (1) The recommendation has been implemented, with a summary regarding the implemented action.
  (2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.
  (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.
  (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.

Presiding Judge	Grand Jury
Presiding Judge Rita Federman Superior Court of California 1035 Palm Street Room 355 San Luis Obispo, CA 93408	San Luis Obispo County Grand Jury P.O. Box 4910 San Luis Obispo, CA 93403

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RESPONSE TO GRAND JURY REPORT

Report Title: "*Annexation: A Taxing Dilemma*"

Report Date: May 20, 2023

FINDINGS

1. I (we) agree with the findings numbered: __________
2. I (we) disagree wholly or partially with the findings numbered: F1, F2, F3
   (Attach a statement specifying any portions of the findings that are disputed; include an explanation of the reasons.)

RECOMMENDATIONS

1. Recommendations numbered __________ have been implemented.
   (Attach a summary describing the implementation actions.)

2. Recommendations numbered R1 have not yet been implemented, but will be implemented in the future.
   (Attach a timeframe for the implementation.)

3. Recommendations numbered __________ require further analysis.
   (Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of the publication of the Grand Jury report.)

4. Recommendations numbered __________ will not be implemented because they are not warranted or are not reasonable.
   (Attach an explanation.)

Number of pages attached: 2

FINDINGS

F1. Resolution 96-158, the Master Tax Exchange Agreement was adopted by the San Luis Obispo Board of Supervisors 28 years ago, on April 24, 1996. Although the agreement was not agreed to by all seven Cities within the County, the County has continued to use the agreement as the basis for annexation negotiations.

☒ We Wholly or Partially Disagree with the Finding for the following reasons:

The Master Tax Exchange Agreement was adopted by the City Councils of Arroyo Grande, Grover Beach, Morro Bay, San Luis Obispo, and the County Board of Supervisors at a special joint meeting held on April 25, 1996.

F2. The County has failed to re-examine the Master Tax Exchange Agreement every five years as required in Resolution 96-158.

☒ We Wholly or Partially Disagree with the Finding for the following reasons:

The Master Tax Exchange Resolution 96-158 does not direct the County to update the Master Tax Exchange Agreement every five years. Rather it directs the County and the Cities to agree to re-examine the policies at five-year intervals to assure that they remain appropriate and current for all parties.

F3. In November 2021, the County of San Luis Obispo along with the Cities of Arroyo Grande, Atascadero, Paso Robles, and San Luis Obispo engaged in a contract with an outside consultancy firm to perform a financial analysis to inform a revised tax sharing agreement. The study, contracted for cost of $187,400, has not been completed due to the County not providing the modeling information needed by their consultant.

☒ We Wholly or Partially Disagree with the Finding for the following reasons:

In 2019, an informal review process occurred, and the County and participating cities reviewed proposals from three consultants. The County and the participating cities selected The Natelson Dale Group, Inc (TNDG) as the consultant to conduct the study and entered contract negotiations. However, due to the COVID-19 Pandemic, the study was placed on hold. On July 20, 2021, the Board of Supervisors approved a contract with The Natelson Dale Group, Inc. together with the cities of Arroyo Grande, Atascadero, Paso Robles, and San Luis Obispo to provide financial analysis and modeling to inform a revised tax sharing agreement related to annexations. The County has provided information to the Consultant. However, the model hasn't been completed yet because an analysis is underway as part of verifying the model data. The effort was paused by the County in the fall of 2023 due to a shortage in staffing resources, but the County plans to reinitiate the project in the summer and finalize the project by December 1, 2024.

RECOMMENDATIONS

R1. The Grand Jury recommends that the Board of Supervisors of San Luis Obispo County complete an updated Master Tax Exchange Agreement with the Cities by December 1, 2024.

☒ The recommendation has not yet been implemented but will be implemented in the future.
Timeframe for implementation:

As mentioned in the response to the third finding above, due to the staffing resources shortages this effort was paused in the fall of 2023, but County plans to finalize this project in 2024.