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County Draft Sunday June 5  
CSAC, UCC, RCRC, and CBHDA,

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LEGISLATIVE COUNSEL'S DIGEST



Bill No.

as introduced, \_ \_ \_

General Subject: No Place Like Home Program.

(1) The Mental Health Services Act (MHSA), an initiative measure enacted by the voters as Proposition 63 at the November 2, 2004, statewide general election, imposes a 1% tax on that portion of a taxpayer's taxable income that exceeds \$1,000,000 and requires that the revenue from that tax be deposited in the Mental Health Services Fund to fund various county mental health programs. The MHSA authorizes the Legislature to amend its provisions by a 2/3 vote, provided that the amendment is consistent with and furthers the intent of the act.

This bill would establish the No Place Like Home Grant Program, to be administered by the Department of Housing and Community Development. The bill would require the department to award \$2,000,000,000 among counties ~~and developers~~ to finance the acquisition, design, construction, or reconstruction of permanent supportive housing for individuals with mental illness who are chronically homeless.

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The bill would require the department to allocate \$1,800,000 to a competitive grant program. The bill would require that applicants meet specified requirements to be eligible to apply for grants and would require the department to evaluate applications using specified criteria. The bill would require the department to award moneys in four grant rounds, as provided. The bill would require the department to allocate \$200,000,000 among all counties within this state proportionate to the number of homeless persons within each county. The bill would establish, and continuously appropriate, the No Place Like Home Fund for these purposes. The bill would also appropriate \$6,200,000 from the Mental Health Services Fund to the department to provide technical and grant preparation assistance to counties. The bill would require counties to annually report to the department on activities funded under these provisions, as provided.

This bill would establish the No Place Like Home Grant Program Advisory Committee, as specified, and require the committee to assist and advise the department in the implementation of the program, review and approve the department's guidelines, review the department's progress in distributing moneys pursuant to the program; and provide advise and guidance on statewide homelessness issues. The bill would also require the department to submit a report on the program to the Legislature by December 31 of each year and, upon an appropriation for that purpose, to contract with a public or private research university in this state to evaluate the program, as provided.

(2) The MHSA, among other things, requires county health programs to develop plans for innovative programs, to be funded as provided, and requires that the innovative program have specified purposes, including increasing access to services. Existing law



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requires that the projects included in the innovative program portion of a county health plan meet specified requirements, including increasing access to underserved groups and increasing access to services. The MHSA further requires the State Department of Health Care Services, in coordination with counties, to establish a program designed to prevent mental illnesses from becoming severe and disabling and requires that the program provide specified services.

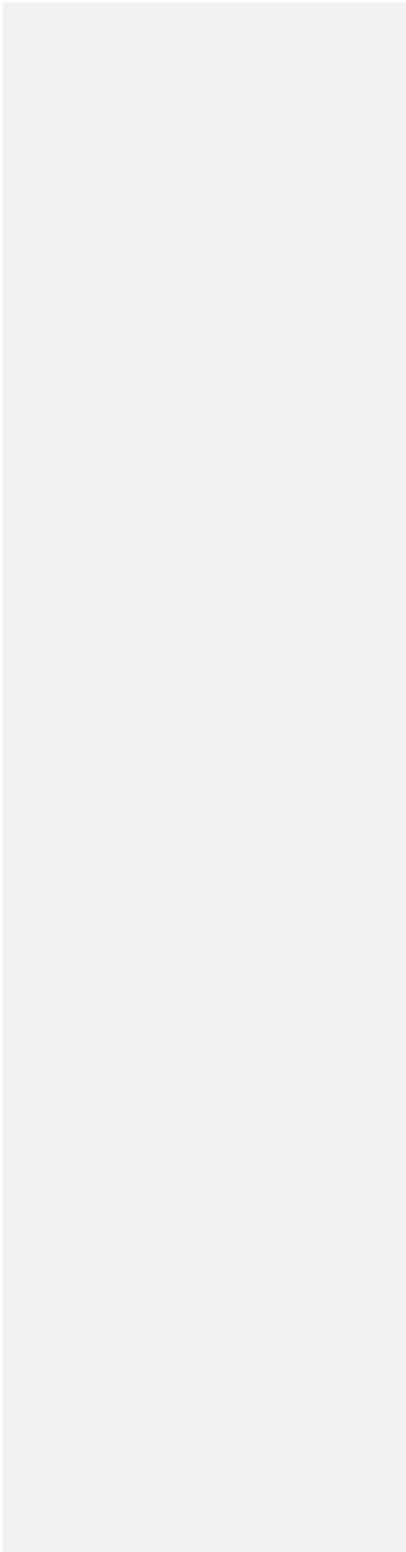
This bill would specify that the services required to be provided through these programs may include the provision of permanent supportive housing.

(3) This bill would declare that its provisions further the intent of the MHSA.

Vote: 21.3. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.



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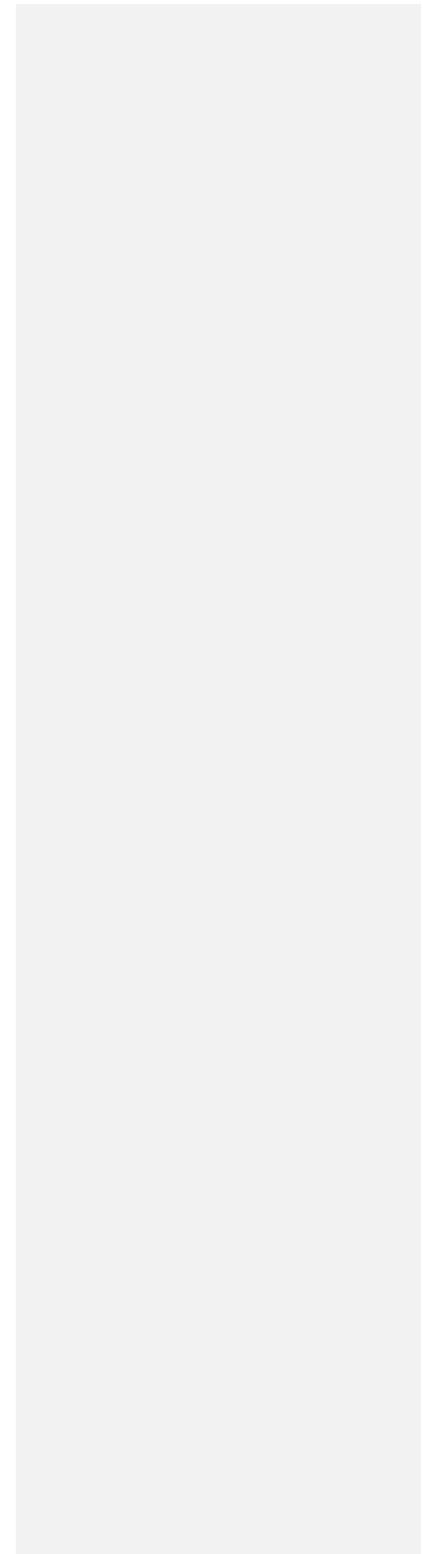
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An act to amend Sections 5830, 5840, and 5847 of, and to add Part 3.9 (commencing with Section 5849.1) to Division 5 of, the Welfare and Institutions Code, relating to housing, and making an appropriation therefor.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 5830 of the Welfare and Institutions Code is amended to read:

5830. County mental health programs shall develop plans for innovative programs to be funded pursuant to paragraph (6) of subdivision (a) of Section 5892.

(a) The innovative programs shall have the following purposes:

- (1) To increase access to underserved groups.
- (2) To increase the quality of services, including better outcomes.
- (3) To promote interagency collaboration.

(4) To increase access to ~~services~~ services, including, but not limited to, services provided through permanent supportive housing.

(b) All projects included in the innovative program portion of the county plan shall meet the following requirements:

(1) Address one of the following purposes as its primary purpose:

(A) Increase access to underserved ~~groups~~ groups, which may include providing access through the provision of permanent supportive housing.

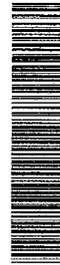
(B) Increase the quality of services, including measurable outcomes.

(C) Promote interagency and community collaboration.

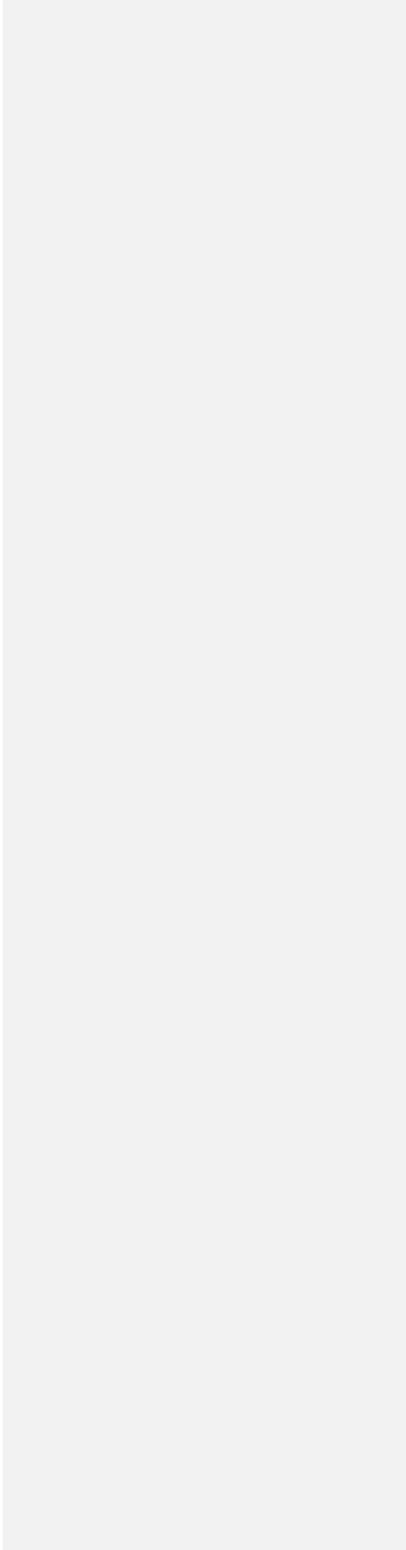
(D) Increase access to ~~services~~ services, which may include providing access through the provision of permanent supportive housing.

(2) Support innovative approaches by doing one of the following:

(A) Introducing new mental health practices or approaches, including, but not limited to, prevention and early intervention.



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(B) Making a change to an existing mental health practice or approach, including, but not limited to, adaptation for a new setting or community.

(C) Introducing a new application to the mental health system of a promising community-driven practice or an approach that has been successful in nonmental health contexts or settings.

(D) Participating in a housing program designed to stabilize a persons living situation while also providing supportive treatment on site.

(c) An innovative project may affect virtually any aspect of mental health practices or assess a new or changed application of a promising approach to solving persistent, seemingly intractable mental health challenges, including, but not limited to, any of the following:

- (1) Administrative, governance, and organizational practices, processes, or procedures.
- (2) Advocacy.
- (3) Education and training for service providers, including nontraditional mental health practitioners.
- (4) Outreach, capacity building, and community development.
- (5) System development.
- (6) Public education efforts.
- (7) Research.
- (8) Services and interventions, including prevention, early intervention, and treatment.
- (9) Permanent supportive housing development.



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(d) If an innovative project has proven to be successful and a county chooses to continue it, the project workplan shall transition to another category of funding as appropriate.

(e) County mental health programs shall expend funds for their innovation programs upon approval by the Mental Health Services Oversight and Accountability Commission.

SEC. 2. Section 5840 of the Welfare and Institutions Code is amended to read:

5840. (a) The State Department of Health Care Services, in coordination with counties, shall establish a program designed to prevent mental illnesses from becoming severe and disabling. The program shall emphasize improving timely access to services for underserved populations.

(b) The program shall include the following components:

(1) Outreach to families, employers, primary care health care providers, and others to recognize the early signs of potentially severe and disabling mental illnesses.

(2) Access and linkage to medically necessary care provided by county mental health programs for children with severe mental illness, as defined in Section 5600.3, and for adults and seniors with severe mental illness, as defined in Section 5600.3, as early in the onset of these conditions as practicable.

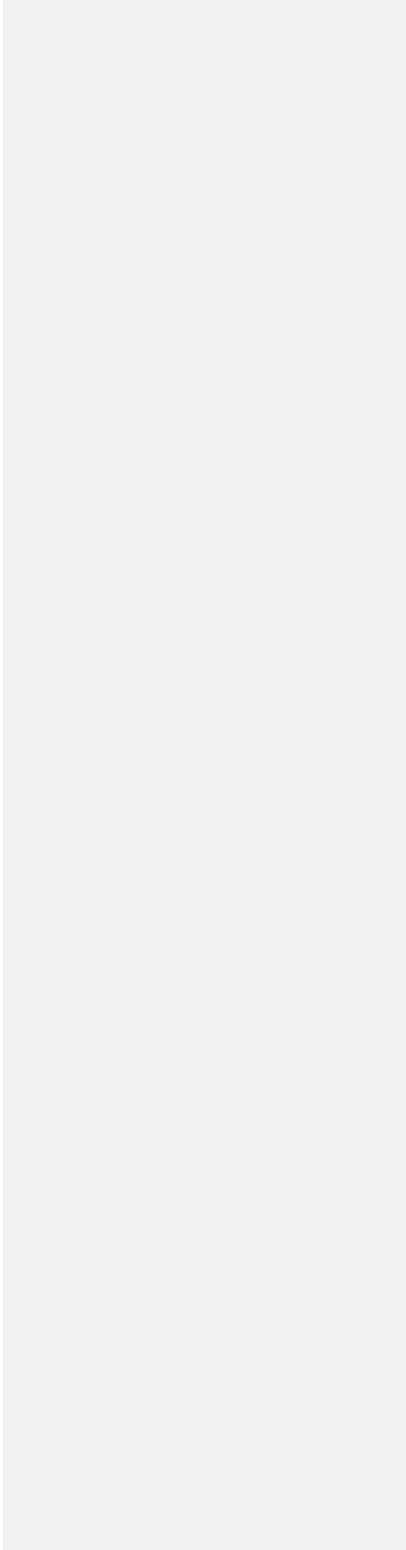
(3) Reduction in stigma associated with either being diagnosed with a mental illness or seeking mental health services.

(4) Reduction in discrimination against people with mental illness.

(c) The program shall include mental health services similar to those provided under other programs effective in preventing mental illnesses from becoming severe,



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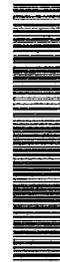
and shall also include components similar to programs that have been successful in reducing the duration of untreated severe mental illnesses and assisting people in quickly regaining productive lives. These services may be provided through the provision of permanent supportive housing.

(d) The program shall emphasize strategies to reduce the following negative outcomes that may result from untreated mental illness:

- (1) Suicide.
- (2) Incarcerations.
- (3) School failure or dropout.
- (4) Unemployment.
- (5) Prolonged suffering.
- (6) Homelessness.
- (7) Removal of children from their homes.

(e) Prevention and early intervention funds may be used to broaden the provision of community-based mental health services by adding prevention and early intervention services or activities to these ~~services~~ services, which may be provided through the provision of permanent supportive housing.

(f) In consultation with mental health stakeholders, and consistent with regulations from the Mental Health Services Oversight and Accountability Commission, pursuant to Section 5846, the department shall revise the program elements in Section 5840 applicable to all county mental health programs in future years to reflect what is learned about the most effective prevention and intervention programs for children, adults, and seniors.



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SEC. 3. Section 5847 of the Welfare and Institutions Code is amended to read:  
5847. Integrated Plans for Prevention, Innovation, and System of Care Services.

(a) Each county mental health program shall prepare and submit a three-year program and expenditure plan, and annual updates, adopted by the county board of supervisors, to the Mental Health Services Oversight and Accountability Commission within 30 days after adoption.

(b) The three-year program and expenditure plan shall be based on available unspent funds and estimated revenue allocations provided by the state and in accordance with established stakeholder engagement and planning requirements as required in Section 5848. The three-year program and expenditure plan and annual updates shall include all of the following:

(1) A program for prevention and early intervention in accordance with Part 3.6 (commencing with Section 5840).

(2) A program for services to children in accordance with Part 4 (commencing with Section 5850), to include a program pursuant to Chapter 4 (commencing with Section 18250) of Part 6 of Division 9 or provide substantial evidence that it is not feasible to establish a wraparound program in that county.

(3) A program for services to adults and seniors in accordance with Part 3 (commencing with Section 5800).

(4) A program for innovations in accordance with Part 3.2 (commencing with Section 5830).

(5) A program for technological needs and capital facilities needed to provide services pursuant to Part 3 (commencing with Section 5800), Part 3.6 (commencing



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with Section 5840), and Part 4 (commencing with Section 5850). All plans for proposed facilities with restrictive settings shall demonstrate that the needs of the people to be served cannot be met in a less restrictive or more integrated ~~setting.~~ setting, such as permanent supportive housing.

(6) Identification of shortages in personnel to provide services pursuant to the above programs and the additional assistance needed from the education and training programs established pursuant to Part 3.1 (commencing with Section 5820).

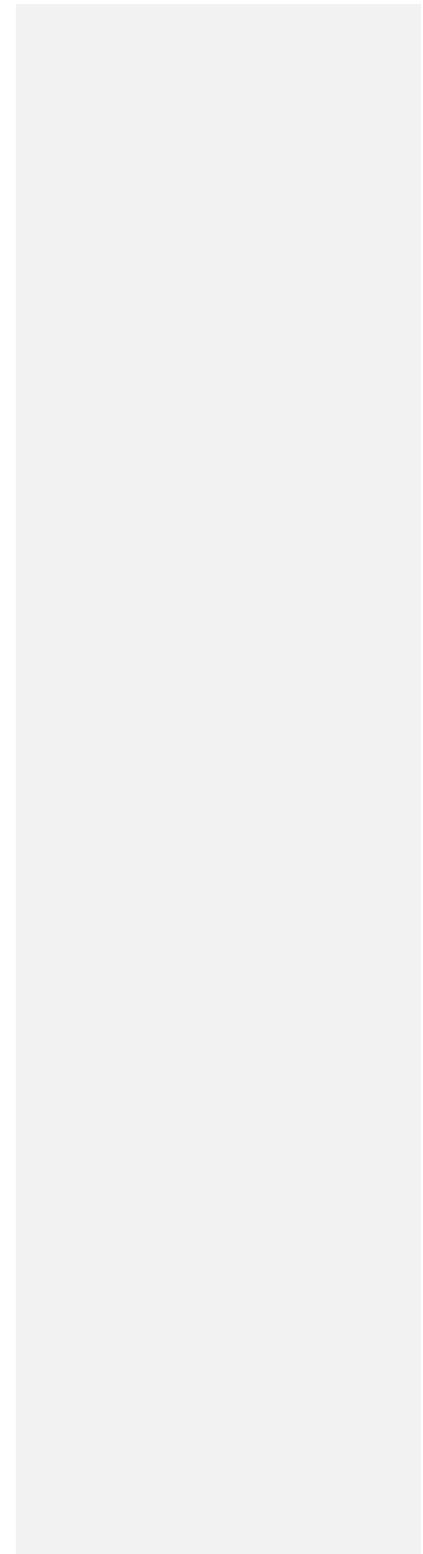
(7) Establishment and maintenance of a prudent reserve to ensure the county program will continue to be able to serve children, adults, and seniors that it is currently serving pursuant to Part 3 (commencing with Section 5800), the Adult and Older Adult Mental Health System of Care Act, Part 3.6 (commencing with Section 5840), Prevention and Early Intervention Programs, and Part 4 (commencing with Section 5850), the Children's Mental Health Services Act, during years in which revenues for the Mental Health Services Fund are below recent averages adjusted by changes in the state population and the California Consumer Price Index.

(8) Certification by the county behavioral health director, which ensures that the county has complied with all pertinent regulations, laws, and statutes of the Mental Health Services Act, including stakeholder participation and nonsupplantation requirements.

(9) Certification by the county behavioral health director and by the county auditor-controller that the county has complied with any fiscal accountability requirements as directed by the State Department of Health Care Services, and that all expenditures are consistent with the requirements of the Mental Health Services Act.



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(c) The programs established pursuant to paragraphs (2) and (3) of subdivision (b) shall include services to address the needs of transition age youth 16 to 25 years of age. In implementing this subdivision, county mental health programs shall consider the needs of transition age foster youth.

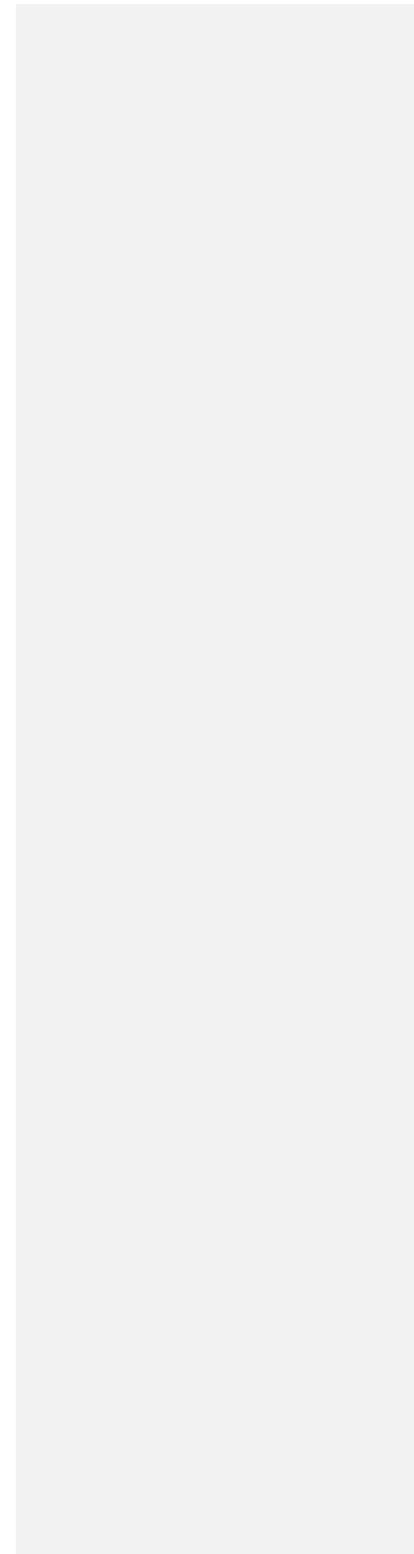
(d) Each year, the State Department of Health Care Services shall inform the County Behavioral Health Directors Association of California and the Mental Health Services Oversight and Accountability Commission of the methodology used for revenue allocation to the counties.

(e) Each county mental health program shall prepare expenditure plans pursuant to Part 3 (commencing with Section 5800) for adults and seniors, Part 3.2 (commencing with Section 5830) for innovative programs, Part 3.6 (commencing with Section 5840) for prevention and early intervention programs, and Part 4 (commencing with Section 5850) for services for children, and updates to the plans developed pursuant to this section. Each expenditure update shall indicate the number of children, adults, and seniors to be served pursuant to Part 3 (commencing with Section 5800), and Part 4 (commencing with Section 5850), and the cost per person. The expenditure update shall include utilization of unspent funds allocated in the previous year and the proposed expenditure for the same purpose.

(f) A county mental health program shall include an allocation of funds from a reserve established pursuant to paragraph (7) of subdivision (b) for services pursuant to paragraphs (2) and (3) of subdivision (b) in years in which the allocation of funds for services pursuant to subdivision (e) are not adequate to continue to serve the same number of individuals as the county had been serving in the previous fiscal year.



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SEC. 4. Part 3.9 (commencing with Section 5849.1) is added to Division 5 of the Welfare and Institutions Code, to read:

PART 3.9. THE NO PLACE LIKE HOME PROGRAM

5849.1. (a) The Legislature finds and declares that this part is consistent with and furthers the purposes of the Mental Health Services Act, enacted by Proposition 63 at the November 2, 2004, statewide general election, within the meaning of Section 18 of that measure.

(b) The Legislature further finds and declares all of the following:

(1) Housing is ~~the~~ a key factor for stabilization and recovery to occur and results in ~~improved outcomes the most successful outcomes for individuals those~~ living with a mental illness.

(2) ~~Untreated mental illness can increase the risk of homelessness.~~

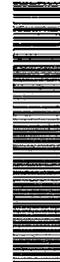
~~especially for single adults. Mental illness was the third largest cause of~~

~~homelessness for single adults.~~ (3) California has the nation's largest homeless population that is

disproportionally comprised of women with children, veterans, and the chronically homeless.

(4) California has the largest number of homeless veterans in the United States at 24 percent of the total population in our nation. Fifty percent of California's veterans live with serious mental illness and 70 percent have a substance use disorder.

(5) Fifty percent of mothers experiencing homelessness have experienced a major depressive episode since becoming homeless and 36 percent of these mothers live with post-traumatic stress disorder and 41 percent have a substance use disorder.



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Comment [FM1]: All edits made for clarity

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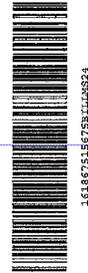
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~~(6) Ninety three percent of supportive housing tenants who live with mental illness and substance use disorders voluntarily participated in the services offered.~~

**Comment [FM2]:** Unusual statistic and in past tense?  
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(7) Adults who receive 2 years of "whatever-it-takes," or Full Service Partnership services, experience a 68 percent reduction in homelessness.

(8) For every dollar of bond funds invested in permanent supportive housing the state and local governments can leverage a significant amount of additional dollars through tax credits, Medicaid health services funding, and other housing development funds.



**Comment [FM3]:** As much leveraging as possible by all entities

(9) Tenants of permanent supportive housing reduced their visits to the emergency department by 56 percent, and their hospital admissions by 45 percent.

(10) The cost in public services for a chronically homeless Californians range from \$60,000 to \$100,000 annually. When housed, these costs are cut in half and some reports show reductions in cost of more than 70 percent, including potentially less involvement with the health and criminal justice systems.

**Comment [FM4]:** Furthers goal of the act

(11) Californians have identified homelessness as their top tier priority, this measure seeks to address the needs of the most vulnerable people within this population.

(12) Having counties provide mental health programming and services is a benefit to the people of the state.

**Comment [FM5]:** Our bosses

5849.2. As used in this part, the following definitions shall apply:

(a) "At risk of chronic homelessness" includes, but is not limited to, persons who are at high risk of long-term and intermittent homelessness, including persons with mentally illness released from incarceration, emancipated foster youth, and others.

(b) "Committee" means the No Place Like Home Grant Program Advisory Committee established pursuant to Section 5849.3.

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(c) "Chronically homeless" has the same meaning as defined in Section 578.3 of Title 4 of the Code of Federal Regulations, as that section read on May 1, 2016.

(d) "Department" means the Department of Housing and Community Development.

(e) "Fund" means the No Place Like Home Fund established pursuant to Section 5849.4.

(f) "Homeless" has the same meaning as defined in Section 11302 of Title 42 of the United States Code, as that section read on May 1, 2016.

(g) "Permanent supportive housing" has the same meaning as "supportive housing," as defined in Section 50675.14 of the Health and Safety Code, except that "permanent supportive housing" shall include associated facilities if used to provide services to housing residents.

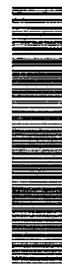
(h) "Program" means the process for awarding grants and loans and distributing moneys to applicants established in Sections 5849.7, 5849.8, and 5849.9.

(1) "Competitive grant program" means that portion of the program for awarding grants and loans by competitive application established by Section 5849.8.

(2) "Distribution program" means that portion of the program for providing moneys to counties described in Section 5849.9.

(i) "Target population" means individuals or households as provided in 5600.3 who are homeless, chronically homeless or at risk of chronic homelessness.

5849.3. (a) There is hereby established the No Place Like Home Grant Program Advisory Committee. Membership on the committee shall be as follows:



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(1) The Director of Housing and Community Development, or his or her designee, who shall serve as the chairperson of the committee.

(2) The Director of Health Care Services, or his or her designee, and an additional representative.

(3) The Secretary of Veterans Affairs, or his or her designee.

(4) The Director of Social Services, or his or her designee.

(5) The Treasurer, or his or her designee.

(6) A member of the Mental Health Services Oversight and Accountability Commission, to be designated by the chairperson of the committee.



(7) ~~Two A~~ chief administrative officers of a county or ~~a~~ elected members of a county board of supervisors, to be appointed by the California State Association of Counties, Governor

**Comment [FM6]:** Our intent is to include representation from large and small counties

(insert, renumber) A county staff person or county planner with experience in homeless services and/or the development of affordable and supportive housing appointed by the California State Association of Counties.

**Comment [FM7]:** Having a county planner or housing-type person would be key

(8) A director of a county behavioral health department, to be appointed by the California Behavioral Health Directors Association, a statewide association representing counties the Governor.

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(9) An administrative officer of a city, to be appointed by the League of California Cities, Governor.

(10) A representative of an affordable housing organization, to be appointed by the Speaker of the Assembly.

(11) A representative of a community mental health organization, to be appointed by the Senate Rules Committee.

(12) A representative of a continuum of care organization, to be appointed by the Governor.

(13) A person with a severe mental illness or a family member of a person with a severe mental illness who has benefited from permanent supportive housing.

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(b) The committee shall do all of the following:

(1) Assist and advise the department in the implementation of the program.

(2) Review and approve the department's guidelines.

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**Comment [K8]:** In line with MHSA structure

**Comment [FM9]:** Appreciate the Senate's effort to ensure robust committee involvement

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(3) Review the department's progress in distributing moneys pursuant to this part.

(4) Provide advice and guidance more broadly on statewide homelessness issues.

5849.4. (a) The No Place Like Home Fund is hereby created within the State Treasury and, notwithstanding Section 13340 of the Government Code, continuously appropriated to the department for the purposes of this part. The department may use up to five percent of the amount deposited in the fund for administrative expenses in implementing this part.

(b) There shall be paid into the fund the following:

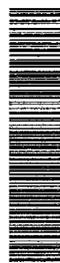
(1) Any proceeds from the issuance of bonds by the Treasurer for the purpose of implementing the program.

(2) Any other federal or state grant, or from any private donation or grant, for the purposes of this part.

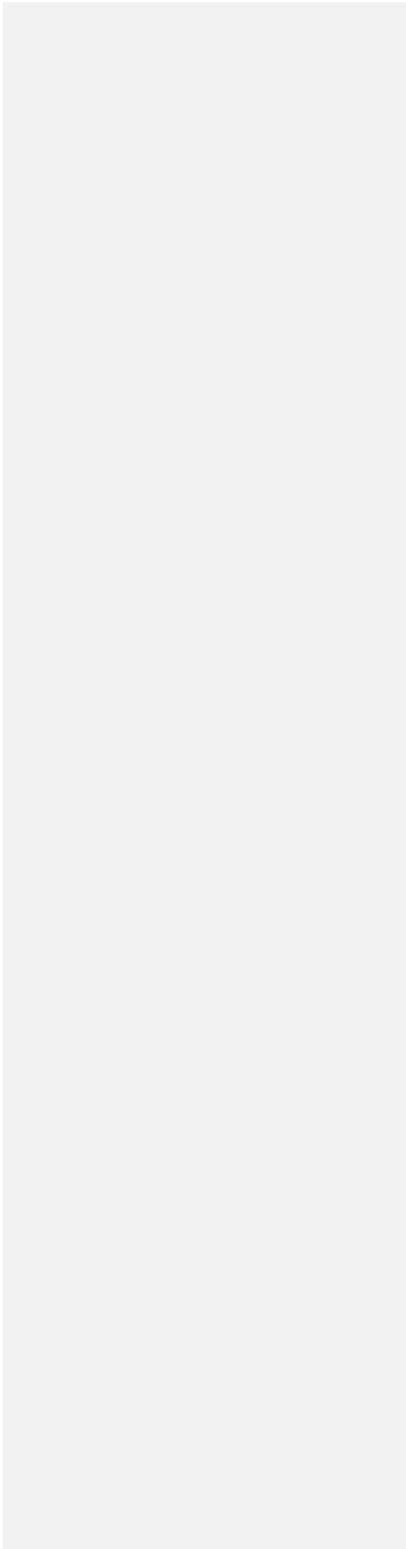
(3) Any interest payment, loan repayments, or other return of funds.

5849.5. (a) The department may adopt guidelines or regulations as necessary to exercise the powers and perform the duties conferred or imposed on it by this part. Any guideline or regulation adopted pursuant to this section shall not be subject to the requirements of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(b) The department may adopt emergency regulations in order to expedite the award of moneys pursuant to this part.



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5849.6. For the purpose of administering this part, the department shall organize counties into the following competitive groupings ~~based on the number of homeless persons residing within each county~~, as determined by the department, in consultation with the California State Association of Counties.:

- (a) The County of Los Angeles.
- (b) Large counties.
- (c) Medium counties.
- (d) Small counties.



**Comment [K10]:** Counties oppose basing the groupings solely on the HUD homeless count, but also don't want to make a complicated multi-faceted formula, either. The HUD homeless count is incomplete for many counties. Additionally, since these funds are intended for homeless people with serious mental illness, we think other factors, such as prevalence of mental illness, could be considered when guidance is later crafted by the Advisory Committee and HCD in consultation with CSAC.

5849.7. (a) The department shall administer a competitive grant program, pursuant to Section 5849.8, and distribution program, pursuant to Section 5849.9, for awarding a total of two billion dollars (\$2,000,000,000) among counties ~~and developers~~ to finance the construction, rehabilitation or preservation of permanent supportive housing for individuals with mental health supportive needs who are homeless or at risk of homelessness.

**Comment [FM11]:** County as sole applicant

(b) For the competitive grant program established by Section 5849.8, the following shall apply:

- (1) A county and developer ~~may shall~~ apply as co-applicants, except as otherwise allowed in guidelines and regulations required by this part or pursuant to section 5849.8(b).
- (2) Funded developments shall integrate the target population with the general public.

**Comment [FM12]:** If a county has a developer, all the better.

(3) Funded developments shall utilize low barrier tenant selection practices that prioritize vulnerable populations and offer flexible, voluntary, and individualized supportive services.

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(4) The guidelines may provide for alternative housing models, such as shared housing models of fewer than five units. Integration requirements may be modified in shared housing.

(5) Funds shall be offered as deferred payment loans to finance capital costs including acquisition, design, construction, rehabilitation or reconstruction, and to capitalize operating reserves of permanent supportive housing for the target population.

(6) The department shall adopt guidelines establishing income and rent standards.

5849.8. (a) One billion eight hundred million dollars (\$1,800,000,000) shall be allocated from the fund for the purposes of the competitive grant program. The department shall develop a competitive application process for the purpose of awarding moneys pursuant to this section. In considering applications, the department shall do all of the following:

(1) Restrict eligibility to applicants that meet the following minimum criteria:

(A) The county commits to provide mental health supportive services inside the supportive housing development for at least 20 years or continue to provide services to assist the target population as defined in this act.

(B) The county has developed a county plan to combat homelessness, which includes a description of homelessness countywide, any special challenges or barriers to serving this population, county resources applied to the issue, community-based resources, an outline of partners and collaborations, and proposed solutions.

(C) The county commits to provide mental health and other supportive services to the individuals residing in the permanent supportive housing units, and other services, including drug treatment services from any other available funding sources, including, but not limited to, ~~the~~ following:



**Comment [FM13]:** Tried to broaden the uses to make the 20 years more palatable. We recognize that 20 years is much more flexible than 55/life of the loan.

**Comment [FM14]:** Section (ii) below allows counties to provide drug treatment services

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(i) The Mental Health Services Act, enacted by Proposition 63 at the November 2, 2004, general election, as amended.

(ii) The Drug Medi-Cal Treatment Program (22 Cal. Code Regs. 51341.1, 51490.1, and 51516.1).

(iii) Funds allocated from the Local Revenue Fund to the county's mental health account of its local health and welfare trust fund established pursuant to Section 17600.10.

(iv) Funds received from private nonprofit organizations.

(v) Other county funds.

(D) Meet other threshold requirements including, but not limited to, developer capacity to develop, own, and operate a permanent supportive housing development for the target population, application proposes a financially feasible development with reasonable development costs.

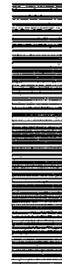
(2) The department shall evaluate applications using, at minimum, the following criteria:

(A) The extent to which assisted units ~~are restricted to~~ prioritize persons who are chronically homeless ~~or at risk of chronic homelessness~~ within the target population.

(B) The extent to which ~~other non state~~ funds are leveraged for capital costs.

(C) The extent to which projects achieve deeper affordability through the use of non-state project-based rental assistance, operating subsidies, or other funding.

(D) Project readiness.



**Comment [FM15]:** clarifying  
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**Comment [FM16]:** An edit

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(E) The extent to which applicants offer a range of on and off-site supportive services to tenants, including mental health services, behavioral health services, primary health, employment, and other tenancy support services.

(b) The department shall ~~may~~ establish an alternative process for allocating funds as grants directly to counties ~~with at least five percent of the state's homeless population and~~ that demonstrate the capacity to ~~either utilize the California Housing Finance Agency (CalHFA) or~~ directly administer loan funds for permanent supportive housing serving the target population consistent with this part.

The department shall adopt guidelines establishing the parameters of an alternative process, if any, and requirements for local administration of funds. ~~The alternative process set forth in this subdivision shall utilize the competitive groups outlined in section 5849.6 to ensure all counties have access to these funds if they are so qualified. Counties may only apply for funding provided for in this section through the competitive process or alternative process, for each round of funding.~~

~~Funds allocated in the alternative process must not exceed 10 percent of the likely total bond funding under this Act. The department shall solicit interest from counties in each of the competitive groupings pursuant to section 5849.6.~~ Funds not committed

to projects within two years following award of funds to ~~counties~~ ~~mities~~ shall be returned to the state for the purposes of ~~the~~ competitive grant program. The Department shall consider the following when selecting participating counties:

(1) Demonstrated ability to finance ~~or obtain~~ permanent supportive housing with local and federal funds, and monitor requirements for the life of the ~~project loan~~.

(2) Past history of delivering supportive services to the target population in housing.



**Comment [FM17]:** Intent is to allow as many project-ready counties to access alternative process as possible. Subject to discussion.

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**Comment [FM18]:** Need clarity on whether a county may access both the alternative and competitive process?

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**Comment [FM19]:** Concerns about alternative process gathering a large proportion of available funds. Also dependent on answer to above question...

**Comment [FM20]:** Again, broadening access to alternative process.

(3) Past history of committing project-based vouchers or other innovative methods of securing permanent housing for the target population.

**Comment [FM21]:** Added for flexibility

(4) Ability to prioritize the most vulnerable within the target population through coordinated entry system.

(5) If utilizing the CalHFA to administer loan funds, demonstrate the intent and capacity to enter into an agreement with that Agency for this purpose.

**Comment [FM22]:** Makes sense

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(e) (e) The department shall award grants in at least four grant rounds as follows: (1)

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The department shall issue its first request for proposal for the competitive grant program no later than 180 days after any deadline for appeals as set forth in Section 870 of the Code of Civil Procedure.

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(2) The second round shall be completed no later than one year after the completion of the first round.

(3) The third round shall be completed no later than two years after the completion of the second round.

(4) The fourth round shall be completed no later than three years after the completion of the third round.

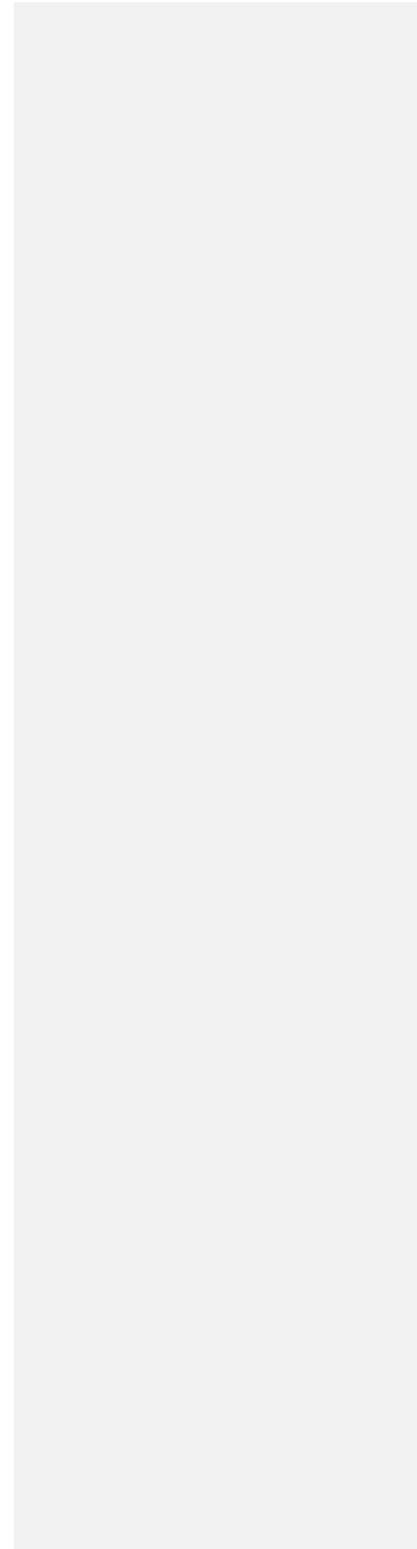
(5) Subsequent rounds shall occur annually thereafter in order to fully exhaust remaining funds.



(d) (1) Any loans made by the department pursuant to this section shall be in the form of secured deferred payment loans to pay for the eligible costs of development. Principal and accumulated interest is due and payable upon completion of the term of the loan, which shall be established through program guidelines adopted pursuant to Section 5849.5. The loan shall bear simple interest at a rate of three percent per annum on the unpaid principal balance. The department shall require annual loan payments in the minimum amount necessary to cover the costs of project monitoring. For the first 15 years of the loan term, the amount of the required loan payments shall not exceed forty-two hundredths of 1 percent per annum.

(2) The department may establish maximum loan-to-value requirements for some or all of the types of projects that are eligible for funding under this part, which shall be established through program guidelines adopted pursuant to Section 5849.5.

(3) The department shall establish per-unit and per-project loan limits for all project types.



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(e) (1) The department may designate an amount not to exceed four percent of funds allocated for the competitive grant program, not including funding allocated pursuant to subdivision (b), in order to cure or avert a default on the terms of any loan or other obligation by the recipient of financial assistance, or bidding at any foreclosure sale where the default or foreclosure sale would jeopardize the department's security in the rental housing development assisted pursuant to this part. The funds so designated shall be known as the "default reserve."

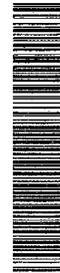
(2) The department may use default reserve funds made available pursuant to this section to repair or maintain any rental housing development assistance pursuant to this part to protect the department's security interest.

(3) The payment or advance of funds by the department pursuant to this subdivision shall be exclusively within the department's discretion, and no person shall be deemed to have any entitlement to the payment or advance of those funds. The amount of any funds expended by the department for the purposes of curing or averting a default shall be added to the loan amount secured by the rental housing development and shall be payable to the department upon demand.

(f) (1) Prior to disbursement of any funds for loans made pursuant this section, the department shall enter into a regulatory agreement with the developer that provides for all of the following:

(A) Sets standards for tenant selection to ensure occupancy of assisted units by eligible households of very low and low income for the term of the agreement.

(B) Governs the terms of occupancy agreements.



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(C) Contains provisions to maintain affordable rent levels to serve eligible households.

(D) Provides for periodic inspections and review of year-end fiscal audits and related reports by the department.

(E) Permits a developer to distribute earnings in an amount established by the department and based on the number of units in the rental housing development.

(F) Has a term for not less than the original term of the loan.

(G) Contains any other provisions necessary to carry out the purposes of this part.

(2) The agreement shall be binding upon the developer and successors in interest upon sale or transfer of the rental housing development regardless of any prepayment of the loan.

(3) The agreement shall be recorded in the office of the county recorder in the county in which the real property subject to the agreement is located.

5849.9. (a) In addition to the competitive grant program established by Section 5849.8, the department shall distribute two hundred million dollars

(\$200,000,000) from the fund ~~of funds on a "first come first served" basis~~ funds should

~~be allocated based on the competitive groupings and based on other factors in consultation with CSAC.~~

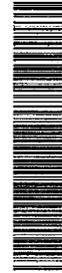
Funds shall be utilized to finance the construction, rehabilitation or preservation

of permanent supportive housing for individuals for the target population, ~~with mental~~

~~health supportive needs who are homeless or at risk of homelessness.~~

Funds to be awarded pursuant to this section shall be available to all counties within the state proportionate to the number of homeless persons within each county.

(b) Funds not ~~awarded committed~~ within 18 months following the first allocation of moneys in accordance with subdivision (d) shall be used for the purposes of the competitive grant program.



**Comment [FM23]:** Trying to ensure funding is distributed both quickly and equitably.

**Comment [T24]:** Language from competitive section to clarify use is same for all except TA.

**Comment [FM25]:** Clarifying that this timeline is related to the awarding of funds, not completion of project.

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(c) The moneys described in subdivision (a) shall be distributed either in accordance with the procedures for awarding funds to local agencies established by the existing Mental Health Services Act housing program administered by the Department of Health Care Services and the California Housing Finance Agency or alternative procedures developed by the department for distributing these moneys that enhance the efficiency and goals of the distribution program.

(d) The department shall make the first allocation of moneys pursuant to this section no later than 60 days after any deadline for appeals as set forth in Section 870 of the Code of Civil Procedure.

5849.10. (a) The sum of six million two hundred thousand dollars (\$6,200,000) is hereby appropriated from the Mental Health Services Fund to the department to provide technical and grant preparation assistance to counties.

(b) Eligible use of technical and grant preparation assistance shall include, but is not limited to, assistance in performing one or more of the following activities:

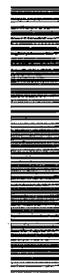
(1) Applying for program funds.

(2) Implementing activities funded by moneys distributed pursuant to this part, including the development of supportive housing for the target population.

(3) Coordinating funded activities with local homelessness systems, including coordinated access systems developed pursuant to Section 578.7(a)(8) of Title 24 of the Code of Federal Regulations, as that section read on May 1, 2016.

(4) Delivering a range of supportive services to tenants.

(5) Collecting data, evaluating program activities, and sharing data among multiple systems, such as the Mental Health Services Act, enacted by Proposition 63



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at the November 2, 2004, the Medi-Cal Act (Chapter 7 (commencing with Section 14000) of Part 3 of Division 9) and implementing regulations, and homelessness systems.

(c) The department shall provide grant funds to a county upon application as follows:

(1) To a large county and to Los Angeles County, the department shall provide one hundred fifty thousand dollars (\$150,000).

(2) To a medium county, the department shall provide one hundred thousand dollars (\$100,000).

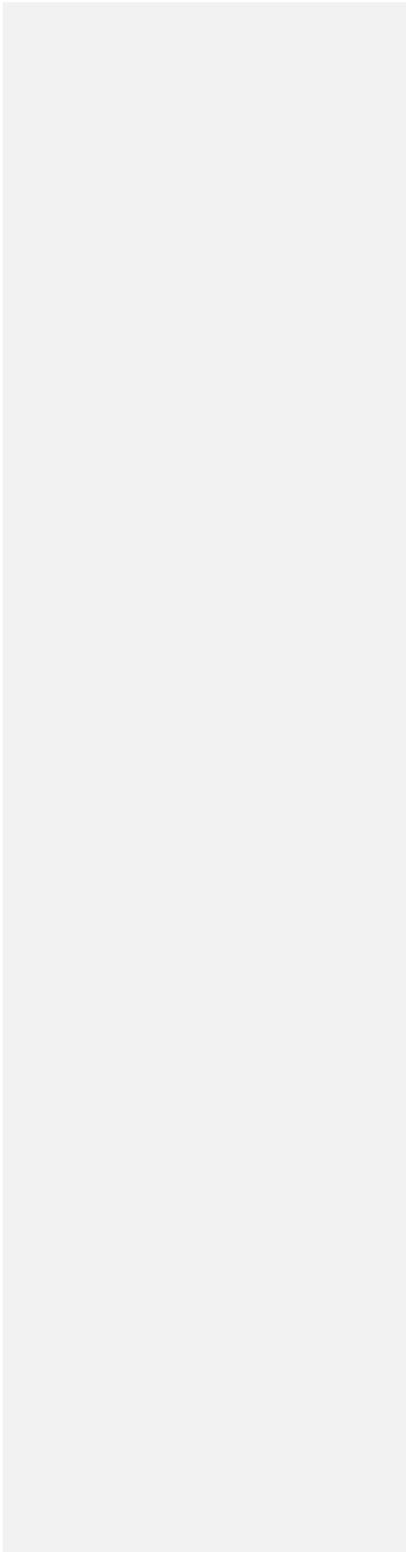
(3) To a small county, the department shall provide seventy-five thousand dollars (\$75,000).

(d) If a county does not expend the moneys provided pursuant to subdivision (b) by June 30, 2020 those moneys shall revert to the department to be used to augment the funding pursuant to subdivision (d).

(e) The department may contract for expert technical assistance and grant preparation assistance. The department shall deploy such assistance to counties based upon a process to be defined in guidelines.

(f) The department shall establish a unit for the purpose of providing technical assistance to counties.

5849.11. (a) The counties shall annually report to the department on activities funded under this part, including information on the funded supportive housing development. Reported information shall include location of projects, number of units



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assisted, occupancy restrictions, number of individuals and households served, related income levels, and homeless, veteran, and mental health status

(b) The department shall submit a report on the program to the Legislature by December 31 of each year, commencing with the year after the first full year in which the program is in effect. The report shall contain at least all of the following:

(1) The processes established for distributing grants.

(2) The distribution of grants among counties.

(3) Any recommendations as to modifications to the program for the purpose of improving efficiency or furthering the goals of the program.

(c) The report required to be submitted by subdivision (b) shall be submitted in compliance with Section 9795 of the Government Code.

5849.12. (a) Upon an appropriation of funds for the purpose of this section, the department shall contract with a public or private research university in this state to evaluate the program. The department shall develop the research design and issue a request for proposal for a contract for the evaluation, with the assistance of the Legislative Analyst's Office and the Department of Finance.

(b) The department shall submit the final research design and request for proposal required by subdivision (a) to the Chairperson of the Joint Legislative Budget Committee no more than 30 days prior to executing a contract for the evaluation.

**Add to Trailer Bill #706 the following amendment to Section 5892(a)(5):**  
**5892.**

**(a) In order to promote efficient implementation of this act, the county shall use funds distributed from the Mental Health Services Fund as follows:**

**(1) In 2005–06, 2006–07, and in 2007–08, 10 percent shall be placed in a trust fund to be expended for education and training programs pursuant to Part 3.1.**

**(2) In 2005–06, 2006–07, and in 2007–08, 10 percent for capital facilities and technological needs distributed to counties in accordance with a formula developed in consultation with the County Behavioral Health Directors Association of California to implement plans developed pursuant to Section 5847.**

**(3) Twenty percent of funds distributed to the counties pursuant to subdivision (c) of Section 5891 shall be used for prevention and early intervention programs in accordance with Part 3.6 (commencing with Section 5840) of this division.**



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(4) The expenditure for prevention and early intervention may be increased in any county in which the department determines that the increase will decrease the need and cost for additional services to severely mentally ill persons in that county by an amount at least commensurate with the proposed increase.

(5) The balance of funds shall be distributed to county mental health programs for services to persons with severe mental illnesses pursuant to Part 4 (commencing with Section 5850) for the children's system of care and Part 3 (commencing with Section 5800) for the adult and older adult system of care. **Counties may use these funds for housing assistance, as defined in Section 5892.5 (a) (2).**

(6) Five percent of the total funding for each county mental health program for Part 3 (commencing with Section 5800), Part 3.6 (commencing with Section 5840), and Part 4 (commencing with Section 5850) of this division, shall be utilized for innovative programs in accordance with Sections 5830, 5847, and 5848.

**Comment [K26]:** This is the new amendment to existing law to enable counties to use CSS funds for housing assistance/rental subsidies (even if someone's not in a full service partnership) as proposed by CBHDA in January.

5849.13. An action to determine the legality of any action by the department pursuant to this part may be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure.

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SEC. 5. The Legislature finds and declares that this act furthers the intent of the Mental Health Services Act, enacted by Proposition 63 at the November 2, 2004, statewide general election.

It is intent of the Legislature that the costs to service the debt for the bond authorized by this act shall not impede in any way the direct mental health services provided by counties, and that the counties shall maximize the use of all available state, federal, and local funding sources, including those listed in Section 5849.7 of the Welfare and Institutions Code, to support direct local mental health services.



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