



Contra Costa County

To: Board of Supervisors
 From: David Twa, County Administrator
 Date: June 7, 2016

Subject: No Place Like Home Bond

RECOMMENDATION(S):

ADOPT a "Support in concept" the "No Place Like Home" proposal developed in the Senate to redirect a portion of Mental Health Services Act (MHSA, or Proposition 63) funding from counties to help securitize up to \$2 billion in affordable housing bonds to address the persistent issue of homelessness through the State, as recommended by the County Administrator.

FISCAL IMPACT:

- \$1.8 billion in a competitive grant program which is available to counties who apply jointly with a developer (MHSA Bond funds).
- \$200,000,000 in a non-competitive program open to all 58 counties and funds will be prioritized to counties based on the homeless population (MHSA bond funds).
- \$6.2 million from MHSA to provide technical assistance to counties.
- Up to 4% of the competitive grant program for a default reserve program at HCD which protects against any defaults under the various loans.
- Alternative process for competitive grant program for those with at least 5% of the

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD
COMMITTEE

Action of Board On: **06/07/2016** ☐ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: June 7, 2016

Contact: L. DeLaney,
925-335-1097

David Twa, County Administrator and Clerk of the Board of
Supervisors

By: , Deputy

cc:

homeless population.

BACKGROUND:

In January, Senate leaders released their “No Place Like Home” proposal. Senate President pro Tempore Kevin de León and former Senator Darrell Steinberg crafted the plan to redirect a portion of Mental Health Services Act (MHSA, or Proposition 63) funding from counties to help securitize up to \$2 billion in affordable housing bonds. The trailer bill language establishing the program was released on June 1, 2016.

There are a few provisions that are missing from the trailer bill language, including the provisions related to how the bonds work which will be in the next version of the anticipated trailer bill. Major provisions are as follows:

- \$1.8 billion in a competitive grant program which is available to counties who apply jointly with a developer (MHSA Bond funds).
- \$200 million in a non-competitive program open to all 58 counties and funds will be prioritized to counties based on the homeless population (MHSA bond funds).
- \$6.2 million from MHSA to provide technical assistance to counties.
- Up to 4% of the competitive grant program for a default reserve program at HCD which protects against any defaults under the various loans.
- Alternative process for competitive grant program for those with at least 5% of the homeless population.

The Governor has endorsed the "No Place Like Home" proposal. However, his Department of Finance has worked with the Senate to reduce the proportion of the \$2 billion in bonds that would be distributed on a competitive basis. The Governor has asked for up to \$500 million in noncompetitive funding for counties to use for rental subsidies and other innovative housing efforts. Of that \$500 million, a portion would also be available for technical assistance to counties. Lastly, the Governor agreed that leveraging MHSA funding is the best route to kick-starting construction or rehabilitation at the local level.

It should be noted that the Senate's original proposal also included an increase in the state's Supplemental Security Income/State Supplementary Payment (SSI/SSP) rates, which provide monthly funding to those who are aged, blind, or disabled. Further, it would have supported the existing Housing Support Program, which is administered by counties within the CalWORKs program, and a new “Bringing Families Home” program to provide family housing. None of these proposals are in the current Senate-Governor "No Place Like Home" concept.

CSAC does not have a position on the proposals at this time and is in the process of developing strategy and positions. A joint Health and Human Services Policy Committee and Housing, Land Use, and Transportation Policy Committee meeting was held on June 1, 2016, with County staff participating in the call.

County staff notes the following: "As proposed, all counties have to pay a portion of the bond debt service even if they're not awarded any MHSA Grant Funds. The debt service

should be covered by the counties proportionate to the amount of funds received.

In addition, there is not a source of operating subsidy, which is critical to long term viability of the developments. As proposed, \$2 billion will be provided through a bond issue, which means funds will be restricted for capital costs. The biggest impediment to serving the proposed population is operating costs. There aren't enough federal subsidies (Section 8) to subsidize the number of clients that the Initiative intends to house."

Staff recommends that the Board of Supervisors support the "No Place Like Home" proposal, in concept. The issues identified by staff related to the debt service and operating subsidies should be addressed before an unqualified "support" position is offered.

Attachments include the proposal language (Attachment A), as well as Background material and attachments to the CSAC joint committee meeting (Attachment B).

Given the timing of State Budget discussions and negotiations, it is not possible to schedule this item for Board committee consideration.

No Place Like Home Trailer Bill **UCC Summary – June 1, 2016**

Mental Health Services Act

Adds permanent supportive housing to the list of uses for the Mental Health Services Act (MHSA).

No Place Like Home Advisory Committee

This proposal creates the No Place Like Home Advisory Committee. The committee will assist and advise the HCD on the implementation of the program, review and approve the department's guidelines, review HCD's progress in distributing funds, and provide advice and guidance more broadly on statewide homelessness issues.

Membership on the committee is as follows:

- The Director of HCD.
- The Director of DHCS.
- The Secretary of Veterans Affairs.
- The Treasurer.
- A member of the Mental Health Services Oversight and Accountability Commission
- A chief administrative officer of a county or a member of a county board of supervisors, to be appointed by the Governor.
- A director of a county behavioral health department, to be appointed by the Governor.
- An administrative officer of a city, to be appointed by the Governor.
- A representative of an affordable housing organization, to be appointed by the Speaker of the Assembly.

- A representative of a community mental health organization, to be appointed by the Senate Rules Committee.
- A representative of a continuum of care organization, to be appointed by the Governor.

Competitive Program - \$1.8 billion

This proposal provides that HCD shall administer a competitive grant program and distribution program awarding funding 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.

\$1.8 billion is provided to the competitive program.

Requirements are as follows:

- A county and developer shall apply as co-applicants.
- Funded developments shall integrate the target population with the general public.
- Funded developments shall utilize low barrier tenant selection practices that prioritize vulnerable populations and offer flexible, voluntary, and individualized supportive services.

HCD will provide guidelines for the operation of the program which may provide for alternative housing models, such as shared housing models of fewer than five units. The guidelines must include establishing income and rent standards.

Application requirements

In considering applications, HCD shall restrict eligibility to applicants that meet the following:

- The county commits to provide mental health supportive services inside the supportive housing development for at least 20 years.
- 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.
- The county commits to provide mental health supportive services and other services, including drug treatment services from any other available funding sources including, but not limited to MHSA, Drug Medi-Cal Treatment Program, realignment funds, funds received from private nonprofit organizations, and other county funds.
- 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, and the application proposes a financially feasible development with reasonable development costs.

Evaluation of Applications

HCD shall evaluate applications using, at a minimum, the following criteria:

- The extent to which assisted units are restricted to persons who are chronically homeless or at risk of chronic homelessness within the target population.
- The extent to which non-state funds are leveraged for capital costs.
- The extent to which projects achieve deeper affordability through the use of non-state project based rental assistance, operating subsidies, or other funding.
- Project readiness.
- 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.

Alternative Process

This proposal allows HCD to 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 demonstrates the capacity to directly administer loan funds for permanent supportive housing serving the target population. HCD must adopt guidelines establishing the parameters of the process and requirements for local administration of funds. Funds not committed to projects within two years following award to counties shall be returned to the state for the competitive program.

HCD shall consider the following when selecting participating counties:

- Demonstrated ability to finance permanent supportive housing with local and federal funds, and monitor requirements for the life of the loan.
- Past history of delivering supportive services to the target population.
- Past history of committing project-based vouchers to supportive housing.
- Ability to prioritize the most vulnerable within the target population through coordinated entry system.

HCD must award grants in at least four grant rounds for approximately 4 years.

This proposal would also provide that HCD may establish maximum loan-to-value requirements for some or all of the types of projects that are eligible for funding under this section. HCD must also establish per-unit and per-project loan limits for all project types.

Non-Competitive Program

In addition to the competitive grant program, HCD shall distribute two hundred million from the fund on a first come-first served basis. Funds to be awarded shall be available to all counties within the state proportionate to the number of homeless persons within each county. Funds not committed within 18 months following the first allocation shall be used in the competitive grant program

This proposal also provides that moneys shall be distributed either in accordance with the procedures for awarding funds to local agencies established by the existing MHSA housing program administered by DHCS and CalHFA or alternative procedures developed by HCD for distributing these moneys that enhance the efficiency and goals of the distribution program.

Technical Assistance Funds

This proposal would allocate \$6.2 million from the Mental Health Services Fund to HCD to provide technical and grant preparation assistance to counties. Eligible uses of technical and grant preparation assistance shall include, but is not limited to, assistance in performing one or more of the following activities:

- Applying for program funds.
- Implementing activities funded by moneys distributed under this part, including the development of supportive housing for the target population.
- Coordinating funded activities with local homelessness systems.
- Delivering a range of supportive services to tenants.
- Collecting data, evaluation program activities, and sharing data among multiple systems, such as MHSA.

HCD shall provide grant funds to a county upon application as follows:

- To a large county and to Los Angeles County, HCD shall provide \$150,000.
- To a medium county, HCD shall provide \$100,000.
- To a small county, HCD shall provide \$75,000.

Default Reserve Funds

This proposal provides that HCD may designate up to four percent of the funds allocated for the competitive grant program, 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 HCD's security in the rental housing development assisted under this proposal.

HCD may also use default reserve funds to repair or maintain any rental housing development assistance to protect HCD's security interest.

The payment or advance of funds by HCD under this subdivision are exclusively within HCD's discretion, and no person shall be deemed to have any entitlement to the payment or advance of those funds.

CLERK'S ADDENDUM

Speakers: Douglas Dun, NAMI 1st Vice President (handout attached); Duane Chapman, Mental Health Commission. Supervisors and staff expressed grave concerns over the current version of this proposal and noted that it is still evolving, not necessarily in its final form. The Mental Health Commission will hold a special meeting to review the matter and this matter will return to the Board for consideration on June 14, 2016