



**Contra  
Costa  
County**

To: Board of Supervisors  
From: David Twa, County Administrator  
Date: June 14, 2016

Subject: No Place Like Home Proposal

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**RECOMMENDATION(S):**

CONSIDER a position on the "No Place Like Home" proposal in the Budget trailer bill, which aims to provide \$2 billion in bond financing, supported through a portion of the Mental Health Services Act (Prop. 63) funding, to construct permanent supportive housing to address local communities' chronic homeless and mentally ill populations.

**FISCAL IMPACT:**

The NPLH proposal would use MHSA funding to finance up to \$1.8 billion in competitive financing to support the development or refurbishment of supportive housing, \$200 million in non-competitive financing for counties as a "first wave," and \$6.2 million in funding to provide technical assistance and grant preparation assistance to counties.

A quick analysis is that Contra Costa County would receive 2% less revenue as the program ramps up in the the three year period of FY 2017-20 (\$2.44M), and then it would level off to a \$2.79M per year reduction in locally controlled revenues thereafter, or a 7% reduction. The estimated impact of bond debt service payment on County MHSA allocation funds to Contra Costa County is projected to be \$12.36 million over the first 8 years.

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☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY  
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD  
COMMITTEE

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Action of Board On: **06/14/2016** ☐ 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 14, 2016

Contact: L. DeLaney,  
925-335-1097

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

By: , Deputy

cc:

## BACKGROUND:

On June 1, the Administration released draft language of the bond portion of the Senate's No Place Like Home (NPLH) initiative, directing \$2 billion for the financing of the construction, rehabilitation or preservation of permanent supportive housing for individuals with mental health supportive needs who are homeless or at risk of homelessness. (See *Attachment A* for the draft trailer bill language.) The language amends current law, expanding the parameters of plans developed by County mental health programs eligible for funding under the Mental Health Services Act (MHSA), stating that they may include providing access to services through the provision of permanent supportive housing. The NPLH plan was proposed by the Senate in January, although draft legislative language was not available until June. (See *Attachment B* for additional background on the proposal, prepared by CSAC.)

Of the \$2 billion in proposed funding, \$1.8 billion is designated for competitive grants. The competitive grant program would organize counties based on the number of homeless residents: L.A. County, large counties, medium counties, and small counties. Project requirements include that the target population be integrated with the general public and that funded developments shall utilize low barrier tenant selection practices prioritizing vulnerable populations and offering flexible, voluntary, and individualized supportive services. Counties and developers would apply as co-applicants with applications meeting minimum criteria:

- Counties commit to provide mental health supportive services inside the housing development for at least 20 years.
- Counties have developed a county plan to combat homelessness.
- Counties commit to provide mental health supportive services and other services including drug treatment with the following funding streams – MHSA, Drug Medi-Cal Treatment Program, funds allocated from the Local Revenue Fund to the county's mental health account of its local health and welfare trust fund, funds received from private nonprofit organizations, or other county funds.
- Developers must have the capacity to develop, own, and operate for the target population.

The NPLH proposal would also use MHSA funding to provide \$200 million in non-competitive financing for counties as a "first wave," and \$6.2 million in funding to provide technical assistance and grant preparation assistance to counties. The competitive process will include at least four rounds of funding. In addition, the California Department of Housing and Community Development (HCD) would be responsible for developing guidelines and regulations in conjunction with an appointed advisory committee. The language establishes the No Place Like Home Grant Program Advisory Committee to assist the Housing and Community Development (HCD) department with implementation of the program.

Leadership from the Senate, Department of Finance (DOF), and HCD are trying to

finalize the proposal and bring it before the Legislature as part of the budget process. Although CSAC, UCC and RCRC do not have a formal position on the proposal, staff from these respective county organizations worked together to develop consensus over proposed amendments to address a number of policy concerns and technical components of the proposal. A new version of the Trailer Bill Language on No Place Like Home was received on June 9. Staff of the California State Association of Counties (CSAC), Urban Counties of California (UCC) and Rural County Representatives of California (RCRC) are in the process of reviewing the new language, but from an initial review, it appears that many of the County requests were not taken. Below is quick summary of the new draft from UCC staff.

Major problems currently identified with the bill language:

- No changes to any of the pots of funding.
- New language that says Advisory Council can only make recommendations and deletes the language about approving the guidelines.
- No new County representatives on the Advisory Council.
- Does not include suggested changes in the competitive groupings/tiers.
- Keeps 5% of homeless population in the alternative process; does allow for competitive groupings but still limited to 4 counties. No cap on the amount of funds to be used which could limit the amount available under the competitive process for the rest of the counties.
- Does not take suggested amendments related to rental subsidies.

Helpful amendments that have been included:

- Deletes developer and allows counties to apply on their own.
- Includes many suggested technical or wording changes.
- Changes first-come-first serve (under non-competitive program) to over-the counter (same concept).

**County Requests, as expressed by CSAC:**

- Increase proportion of funds available in the noncompetitive process;
- Identify counties as sole applicants for funds (but preserve the option for those counties who are working with or want to co-apply with a developer);
- Add two more county representatives on the advisory committee: from 1 CAO/Sup. and 1 Behavioral Health Director to 2 CAO/Sup. (1 from large, 1 from small), 1 BH Director, and 1 county staff/planner/housing staff person to provide more technical expertise and better communicate with HCD;
- Request that local members are appointed by statewide associations, as done throughout current law and practice;
- Broaden the proposed alternative process by allowing counties from each competitive grouping to apply;
- Clarify whether a county can participate in both the alternative and competitive

processes;

- Cap amount available through alternative process (somewhat dependent on whether a county can participate in both alternative or competitive or not);
- Add language to the alternative process to require the use of the four competitive groupings; and,
- Add section reflecting CBHDA's simple structural request to allow MHSA funding to be used for housing vouchers outside of Full Service Partnerships.

The Department of Finance (DOF) and the State Treasurer's Office are in the process of developing language that will provide more specifics as to how the bond revenue financing component will be implemented. However, leadership has informed counties that Fiscal Year 16-17 is not included in the proposal, meaning counties that are currently developing budgeting plans for MHSA-funded programs should not see any impacts in the next fiscal year. It is our understanding that specific language will be released in the coming days.

Attached is a spreadsheet (*Attachment C*) that depicts the financial impact this would have on County MHSA revenues from the state in future years. A quick analysis suggests that Contra Costa County would receive 2% less revenue as the program ramps up in the three-year period of FY 2017-20 (\$2.44M), and then it would level off to a \$2.79M per year reduction in locally controlled revenues thereafter, or a 7% reduction. Obviously, this would be offset by the benefit of any permanent housing units that would be constructed for the seriously mentally ill in Contra Costa County.

Also attached are the proposed edits to the trailer bill language that were developed by staff from the County Behavioral Health Director's Association (CBHDA). (See *Attachment D: cbhda edits to trailer bill.docx*)

Highlights of the suggested edits from CBHDA include:

- Add two California State Association of Counties (CSAC) appointed County Administrative Officers (CAO) or elected members of a County Board of Supervisors, and an experienced county planner to the newly formed No Place Like Home Advisory Committee.
- Add a consumer and a family member of a consumer who has experienced a severe mental illness who has benefitted from permanent supportive housing to the advisory group.
- Consult with CSAC as to how to competitively group counties, rather than based upon the number of homeless persons residing within each county.
- State that a county may apply as a co-applicant with a developer, rather than shall apply with a developer.
- To the requirement that counties must commit to providing mental health supportive services inside the supportive housing development for at least 20 years the language "or continue to provide services to assist the target population as defined in this act
- Qualifies that the distribution of the non-competitive grant funds to counties shall be

accomplished in consultation with CSAC.

Finally, language from the Act itself states that "All of the provisions of this Act may be amended by a 2/3 vote of the Legislature so long as such amendments are consistent with and further the intent of the Act". Of note is that a similar state run Housing Program administered by the California Housing Finance Authority (CalHFA) was signed by Governor Shwarzenegger in spite of communication from the Attorney General that concluded that "securitization of funding from Proposition 63 to issue housing bonds for mentally ill homeless individuals is inconsistent with the intent of Proposition 63, and that any state contract to secure these bonds would create an unconstitutional debt." (See *Attachment E*.)

On June 7, the Board of Supervisors considered the NPLH proposal and a recommendation from staff to "support in concept." Supervisors, staff and the public expressed concerns over the current version of this proposal and requested that the Mental Health Commission hold a special meeting to review the proposal. The Board directed that this matter be returned to the Board for consideration on June 14, 2016.

The Mental Health Commission met on June 8 in a special meeting. Their input and a recommendation to "Oppose" the NPLH proposal from the Mental Health Commission is included in *Attachment F*. Also attached are comment letters requested to be included by District staff (*Attachment G*).

#### CONSEQUENCE OF NEGATIVE ACTION:

If the Board of Supervisors does not adopt a position on this proposal, there will be no official position on the proposal from which to advocate.

#### CLERK'S ADDENDUM

***Speakers: Lauren Rettagliata, Mental Health Commission; Douglas Dunn, Mental Health Commission (handout attached); Ralph Hoffmann, resident of Walnut Creek. The Board of Supervisors took the position of OPPOSE on this proposal.***

#### ATTACHMENTS

Attachment A: NPLH Trailer Bill

Attachment B: CSAC Background material

Attachment C: Fiscal Impacts

Attachment D: : cbhda edits to trailer bill

Attachment E: AG Opinion

Attachment F: MHC Input

Attachment G: Additional comment letters