

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
BOARD ACTION SUMMARY

DEPT: Behavioral Health And Recovery Services BOARD AGENDA #: B-10

AGENDA DATE: April 26, 2016

SUBJECT:

Approval of Master Plan for Mental Health Services Act Permanent Supportive Housing Funds and Approval to Request the Return of the Remaining Unencumbered Mental Health Services Act Housing Funds Currently Held by California Housing Finance Agency to Stanislaus County

BOARD ACTION AS FOLLOWS:

No. 2016-211

On motion of Supervisor Chiesa , Seconded by Supervisor Withrow
and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Withrow, DeMartini, and Chairman Monteith

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

- 1) Approved as recommended
- 2) Denied
- 3) Approved as amended
- 4) Other:

MOTION:

ATTEST: Elizabeth A. King
ELIZABETH A. KING, Clerk of the Board of Supervisors

File No.

**THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
AGENDA ITEM**

DEPT: Behavioral Health And Recovery Services

BOARD AGENDA #: B-10

Urgent Routine

MS

AGENDA DATE: April 26, 2016

CEO CONCURRENCE: *prt*

4/5 Vote Required: Yes No

SUBJECT:

Approval of Master Plan for Mental Health Services Act Permanent Supportive Housing Funds and Approval to Request the Return of the Remaining Unencumbered Mental Health Services Act Housing Funds Currently Held by California Housing Finance Agency to Stanislaus County

STAFF RECOMMENDATIONS:

1. Approve the Master Plan for Mental Health Services Act Permanent Supportive Housing Funds.
2. Authorize the Behavioral Health Director to request the return to Stanislaus County of the remaining unencumbered Mental Health Services Act Housing Funds that are currently held by the California Housing Finance Agency.

DISCUSSION:

At the Board of Supervisors meeting on September 29, 2015, it was recommended that Behavioral Health and Recovery Services develop a Master Plan for Permanent Supportive Housing that would align with Board of Supervisors priorities for the use of Mental Health Services Act (MHSA) funds. Behavioral Health and Recovery Services (BHRS) currently has a continuum of housing options for individuals dealing with serious mental illness. These include emergency housing, transitional housing, and permanent supportive housing. The development of this continuum is based on a Housing First model, which is a concept that emphasizes the need to have stable housing before issues of mental illness and substance use can be effectively treated.

Emergency housing is available for stays that do not exceed 28 days. Transitional housing allows occupants to remain in this type of housing for up to two (2) years. The least restrictive option is permanent supportive housing, which does not have time constraints on the length of time individuals may reside in this level of supported housing.

Currently, MHSA housing funds are assigned to the California Housing Finance Agency (CHFA). Originally, these one-time housing funds were slated to be allocated to counties for the construction of supportive housing projects in local communities. Subsequently, in 2007, counties were asked to approve assigning these funds to the California Department of Mental Health (CDMH) and the CHFA. The benefits of assigning the funds included, but were not limited to, access to CHFA expertise, asset management and regulatory compliance of development projects, development of loan documents and regulatory requirements, assistance and expertise with developers, and advocacy at a state and national level for additional resources for housing programs for individuals with mental illness who are

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homeless. On April 1, 2008, the Board of Supervisors approved the assignment of these funds to CDMH and CHFA.

Unfortunately, the collaboration with CHFA has been far less efficient than initially expected. A major difficulty in securing appropriate housing options has been the challenges of working with CHFA. They added many parts to the approval process that effectively discouraged potential sellers from considering working with BHRS. For instance, architectural renderings need to be reviewed and approved by CHFA prior to loan approval. Level 1 Environment reviews must be no older than 180 days and certified, often resulting in multiple reviews and added costs. CHFA has very exacting requirements for loan subordination agreements resulting in difficult, lengthy negotiations. In addition, the project must be presented to a Senior Loan Committee that does not meet regularly. Meanwhile sellers have moved on to other buyers, especially when the housing options are in short supply.

Housing for individuals experiencing serious mental illness is challenging. Even with the continuum of housing services that has been developed, sufficient housing is lacking. In order to make the best use of available funding and collaborative partnerships, a master plan for the use of Mental Health Services Act (MHSA) funding is necessary. Attachment 1, the Master Plan for MHSA Permanent Supportive Housing Funds provides guidelines to be used in developing permanent supportive housing opportunities. These guidelines were developed in collaboration with Stanislaus County Affordable Housing Corporation (STANCO) and include mandatory elements, priorities for financing and location, and instructions on implementation of the guidelines.

POLICY ISSUE:

The Master Plan for Mental Health Services Act Permanent Supportive Housing Funds ensures, to the extent possible, that MHSA funds set aside for housing are utilized in the most cost-effective manner with adequate consideration of tenant requirements. The Master Plan encourages leveraging of funds through collaboration between public and private sectors. Requesting the funds held by CHFA provides needed local control and increased likelihood that housing projects will be accomplished more easily.

The Health Executive Committee of the Board of Supervisors, comprised of Supervisors Withrow and O'Brien, met on April 1, 2016, and supported the presentation of these recommendations to the full Board of Supervisors for consideration.

FISCAL IMPACT:

There are no costs associated with acceptance of the Master Plan. There will be deferred revenue for the Department with the return of unencumbered MHSA Housing Funds currently held at the State level by CHFA, estimated at \$1,100,000.

BOARD OF SUPERVISORS' PRIORITY:

This agenda item supports the Board of Supervisors' priorities of A Healthy Community, Effective Partnerships and Efficient Delivery of Public Service by endorsing Housing First, an evidence-based practice associated with better health outcomes, by encouraging public/private

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collaborations, and by ensuring that economies of scale are supported by the use of these guidelines.

STAFFING IMPACT:

Existing BHRS staff will support the implementation of the Permanent Supportive Housing Master Plan.

CONTACT PERSON:

Madelyn Schlaepfer, PhD 209-525-6205

ATTACHMENT(S):

1. Master Plan for Mental Health Services Act Permanent Supportive Housing Funds

Attachment 1

Master Plan for Mental Health Services Act Permanent Supportive Housing Funds

Executive Summary

Behavioral Health and Recovery Services (BHRS) currently has a continuum of housing options for individuals dealing with serious mental illness. These include emergency housing, transitional housing, and permanent supportive housing. Housing First is a concept that emphasizes the need to have stable housing before issues of mental illness can be effectively treated.

Emergency housing is available for stays that do not exceed 28 days. In emergency housing, individuals start the process toward independent living.

Transitional housing allows occupants to remain in this type of housing for up to two (2) years, during which development of independent living skills, adherence to a recovery plan, promotion of social connectedness, and development of plans for a stable income are the focus. Nine (9) of the 30 transitional housing units are intensive supportive housing units. These units are designed for individuals who are very difficult to engage in treatment.

The least restrictive option is permanent supportive housing, which enables individuals and families to live in the most independent level of housing in their communities and receive supportive services, as needed, aimed at enhancing wellness, recovery, and resiliency. While tenants in permanent supportive housing do not have time constraints on the amount of time they may reside in this level of supported housing, some do move on when they obtain employment or reunite with families.

Housing for individuals experiencing serious mental illness is challenging. Even with the continuum of housing services that has been developed, sufficient housing is lacking. In order to make the best use of available funding and collaborative partnerships, a master plan for the use of Mental Health Services Act (MHSA) funding is necessary.

Background

Currently, MHSA housing funds are assigned to the California Housing Finance Agency (CHFA). Originally, these housing funds were slated to be allocated to counties for the construction of supportive housing projects in local communities. Subsequently, in 2007, counties were asked to approve assigning these funds to the California Department of Mental Health (CDMH) and the CHFA. The benefits of assigning the funds included, but were not limited to, access to CHFA expertise, asset management and regulatory compliance of development projects, development of loan documents and regulatory requirements, assistance and expertise with developers, and advocacy at a state and national level for additional resources for housing programs for individuals with mental illness who are homeless. On April 1, 2008, the Board of Supervisors approved the assignment of these funds to CDMH and CHFA.

Affordable housing developers are often constrained on several levels by both lending and program requirements. Lenders require covenants that ensure timely payments, establish reserves, and maintain various metrics, such as loan-to-value ratio and debt service coverage ratio. Further, sale and rental rates as well as a host of maintenance and public service issues are restricted or mandated by program requirements.

Since 2008, the reality of assigning the funds to CDMH and CHFA is that many of the projects considered over the most recent four year time span for development have not materialized. The difficulties encountered go beyond the requirements of affordable housing in general. For instance, architectural renderings need to be reviewed and approved by CHFA prior to loan approval. Level 1 Environment reviews must be no older than 180 days and certified, often resulting in multiple reviews and added costs. CHFA has very exacting requirements for loan subordination agreements resulting in difficult, lengthy negotiations. In addition, the project must be presented to a Senior Loan Committee that does not meet regularly. Consequently, sellers decline offers due to excessively long times to get a final approval from CHFA.

Following is a Master Plan that is designed to overcome some of the obstacles noted above while encouraging public/private collaboration, cost-effective strategies, and site considerations that benefit potential tenants.

Master Plan Guidelines for MHSA Housing Funds

Mandatory Elements

- **Access for physically challenged residents is mandatory for all MHSA housing units.**

This would limit acceptable housing opportunities to those that are ground level or where an elevator is available in the building.

- **Space for the provision of supportive services is mandatory for MHSA housing.**

Staff providing supportive services require space for meeting with client outside of their living unit. This space could be part of a community center at a complex or a unit set aside for the provision of these services at the housing site. Consequently, larger projects are desirable to ensure economies of scale.

Priorities for Financing

- Priority should be given to the acquisition and rehabilitation of existing housing which can be made available more rapidly and less expensively than new construction. When comparing the project types of new construction versus rehabilitation, the former are generally much more expensive to produce than the latter.
- Private investment and leveraging of financing should be considered to diversify housing options to every income strata and to better integrate MHSA residents into community housing. This is especially the case when new construction is contemplated.

- Sustainable building design, while not always cost-efficient during construction or renovation, creates energy-efficient housing that lowers monthly utility bills making housing utility costs more affordable over time. In addition, strategies to employ water saving features in appliances and fixtures, to reduce irrigation for landscape and to promote the use of caulking, paints, finishes and adhesives which have no volatile organic compounds and minimal odors or fumes, should be considered/included....
- Older, multi-family structures are a good source of affordable rental housing. However, these buildings are also at great risk for excessive maintenance costs due to aging structural problems and plumbing and electrical issues. The need for extensive renovation to update to the current building code, retrofit fire sprinkler systems and making entrances, doorways and passage way accessible must be factored into the acquisition decision.

Priorities for Location

- Acquire affordable housing that will maximize economic and social opportunities for its residents as well as allow for quality-of-life amenities, including access to essential services and public transportation options.
- Affordable housing opportunities should be made available in a variety of markets and types of neighborhoods.

Implementation of the Guidelines

1. Behavioral Health and Recovery Services will direct developers to primarily consider acquisition and rehabilitation of existing housing stock for projects utilizing MHSA housing funds.
2. Prior to consideration, developers must first present a project analysis for each rehabilitation project which, at a minimum, describes the following:
 - a. Project location, zoning and jurisdiction
 - b. Accessibility of the housing units
 - c. Adequacy of public safety services
 - d. Adequacy of transit services
 - e. Proximity to schools, parks, community amenities
 - f. Proximity to pharmacy and grocery outlets
 - g. Compatibility of project to surrounding neighborhood
 - h. Ability to adequately deliver supportive services
 - i. Analysis of renovation and retrofit costs
3. New construction projects will be considered using the same analysis above. In addition, project proponents must demonstrate:
 - a. Document due diligence in attempting to acquire existing housing stock.
 - b. Provide recommendation along with supporting documentation as to why a project using new construction may be superior to a renovation project.
 - c. Provide third party verification of new construction costs in a format acceptable to the County of Stanislaus.