

## **AB 1618 (Cmte on Budget) – No Place Like Home As Amended on June 15, 2016**

AB 1618 creates the No Place Like Home Initiative which would divert Mental Health Services Act funds to provide \$2 billion in bond funds to provide affordable housing to the target population of mentally-ill who are homeless.

### **Advisory Committee**

AB 1638 creates the No Place Like Home Advisory Committee. The committee will assist and advise the HCD on the implementation of the program, review and make recommendations on 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 small county or a member of a county board of supervisors, to be appointed by the Governor.
- A chief administrative officer of a large 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 supportive housing, to be appointed by the Governor.
- A representative of a community mental health organization, to be appointed by the Senate Rules Committee.
- A representative of a continuum of care organization that coordinates homelessness funding, to be appointed by the Governor.

### **Guidelines**

AB 1618 provides that HCD may adopt guidelines or regulations, in consultation with the California State Association of Counties and other stakeholders, as necessary to exercise the power and perform the duties conferred on it by this bill. HCD shall also consult with key stakeholders, including but not limited to, counties. HCD may also adopt emergency regulations in order to expedite the award of moneys.

### **County Tiers**

AB 1618 provides that HCD shall organize counties into the following competitive groupings based on population:

- (a) The County of Los Angeles.
- (b) Large counties with a population greater than 750,000.
- (c) Medium counties with a population between 200,000 to 750,000.
- (d) Small counties with a population less than 200,000.

AB 1618 provides that the competitive program shall distribute funding among the groupings based on a calculation made by HCD that shall include the number of homeless persons residing within each county, as determined by HCD, and considers minimum funding levels necessary for a permanent supportive housing development. HCD may also consider other factors in the calculation if it supports the objective of AB 1618.

### **Competitive Program - \$1.8 billion**

This proposal provides that HCD shall administer a competitive grant program among counties to finance capital costs including but not limited to, acquisition, design, construction, rehabilitation or preservation, and to capitalize operating reserves, of permanent supportive for the target population.

Requirements are as follows:

- A county may apply as the sole applicant if it is the development sponsor or jointly with a separate entity as a development sponsor.
- 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.

The guidelines developed by HCD 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 minimum criteria:

- The county commits to provide mental health supportive services and to coordinate the provision of or referral to other services including, but not limited to, substance use treatment services, to the tenants of the supportive housing development for at least 20

years. Services must be provided onsite at the supportive housing development or in a location otherwise easily accessible to tenants.

- 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, available community-based resources, an outline of partners and collaborations and proposed solutions.
- 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 other 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.

### Rural Set-Aside

AB 1618 provides that HCD shall set-aside 8 percent of the funds offered in Rounds 1 through 4 for small counties as identified in the County Tiers.

### **Alternative Process (Funded through Competitive Pot - \$1.8 billion)**

AB 1618 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 and the ability to prioritize individuals with mental health supportive needs who are homeless or at risk of chronic homeless.

HCD must adopt guidelines establishing the parameters of the process and requirements for local administration of funds including project selection process, eligible use of funds, loan terms, rent and occupancy restrictions, provision of services, and reporting and monitoring requirements.

AB 1618 provides that counties participating in the alternative process shall not be eligible for the competitive process and are limited to funds in proportion to their share of the percentage of the statewide homeless population, as calculated by HCD in the County Tiers section.

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 in housing.
- 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 an over-the-counter basis to finance the construction, rehabilitation, or preservation, and to capitalize operating reserves, of permanent and supportive housing for individuals in the target population with a priority for those with mental health supportive needs who are homeless or at risk of chronic homelessness. Funds to be awarded shall be available to all counties within the state proportionate to the number of homeless persons within each county or in the amount of \$500,000 whichever is greater.

Funds not committed within 18 months following the first allocation shall be used in the competitive grant program.

AB 1618 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**

AB 1618 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.