



MHSA Housing Program

Opportunities & Challenges – The Experiences of Five California Counties

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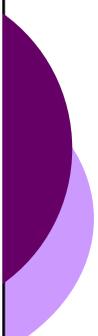
Scott Greundl, Glenn County

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Opportunity

- Researchers estimate that at least 1/3 of the chronically homeless suffer from severe mental illness.
- Creation of permanent supportive housing is an effective way to significantly reduce chronic homelessness and is an essential component in treating homeless individuals with severe mental illness.
- While the MHSA does not dedicate any specified portion of funds to housing, in 2007 counties agreed to make a one-time dedication of MHSA funds to create housing for the chronically homeless.

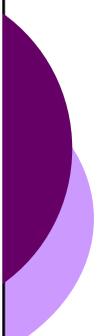
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Challenges

- While Cal HFA has proved valuable to some counties, for others it has been more burdensome than helpful.
- Strict program rules and limited flexibility have posed significant challenges for some counties.
- Small and rural counties have disproportionately struggled to create successful programs within the parameters of the current rules.
- Restrictions on rental subsidies have been especially prohibitive for some counties where new construction is not realistic/cost-effective.

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The Small County Experience

Glenn County
Trinity County
Calaveras County

Scott Gruendl, Director, Glenn County
Rita Downs, Director, Calaveras County

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Glenn County

- Assigned MHSAs funds to Cal HFA because the county did not qualify for "Opt Out."
- Engaged multiple public housing developers and none were interested in so few units.
- TA was initially difficult as there were no small county experience.
- Moved from new development approach to rehabilitation of an existing property.
- Four years passed before a suitable property became available on the market.

Glenn County

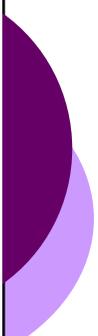


- Located a six-plex building in Orland, CA.
- Entered into a 6 month escrow on September 12, 2011.
- Working with Cal HFA extensively to complete the MHSAs Housing Plan and Application.



Glenn County

- No housing authority, no redevelopment agency, and no interested developer.
- Variance to allow as “shared” housing rather than “rental” to avoid insurmountable match requirement.
- Included conventional loan in order to have funds for rehabilitation and maintenance.
- Requires commitment of client SSI funds as a revenue source for the conventional loan.
- Property management challenges.
- Relocation planning requirements.
- Unnecessary requirements: Single Asset Entity.



Glenn County

- Reserve fund concerns, risk of conventional loan if rental revenues too low.
- On-going admin: Determining eligibility, managing rental contracts, facility management, house rules, etc.
- Pre-project costs not covered.
- Application and terminology.
- Once property was found and put into escrow, the level of assistance from Cal HFA has been outstanding.

Trinity County



Trinity County

- Did not assign funds to CalHFA, used the “Opt Out” option.
- Project completed in July, 2009.
- Utilized Housing, CSS, and Capital dollars to purchase a house that became the “Alpine House” that contains the “Weaverville Short-Term Residential Respite Program” and FSP housing.
- Easier without assignment of funds.

Alpine House



7 bed facility (5 respite, 2 FSP)
250 Main Street, Weaverville, CA
Funding: Housing, CSS, Capital Facilities, & Innovation

Calaveras County What it could look like here...

Four-plex with 1-Bedroom Units:



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Calaveras County

What it could look like here...

Land with 1-Bedroom Manufactured Homes



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Calaveras County

Qualified Developers

- State/CALHFA requires use of “qualified” developers, defined as one of the below:
- Housing developer w/ history serving target population
- Housing developer, w/ MOU w/ service provider & property mgr, & consultant w/ history serving target pop
- Services provider w/ joint venture developer, w/ MOU w/ property mgr, & consultant w/ history serving target pop
- Svc provider with dev team & MOU with property mgr
- Appropriate agency of the county (Shared Housing)
- There are NO non-profit developers in the area, or outside the area who have expressed interest

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Calaveras County *Qualified Borrowers*

- The ultimate borrower must be:
- A limited partnership (LP)
- A 501©(3) corporation
- A limited liability corporation (LLC)
whose sole members are 501©(3) corp members
- An affiliate of a local redevelopment agency
- An affiliate of the county created to hold MHPA property
- An affiliate of a local housing authority created to hold MHPA property

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Calaveras County *Other Requirements*

Supportive Services

- Clear plan must be provided
- Funded by CSS funds
- County can provide, non-issue

Property Management

- Clear plan must be provided
- Funded by operating subsidy set-aside
- Lack of local experience w/ target population

Asset Management

- Requires quarterly reports & annual audit
- Reporting may be funded by operating funds
- Lack of familiarity w/ complexity of CalHFA reporting

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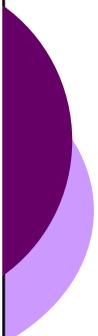


Calaveras County *Obstacles*

To summarize: in trying to meet the preceding guidelines, Calaveras faces a lack of:

- Qualified non-profit developers
- Interested/qualified owners
- Property management companies with experience with the target population
- Familiarity w/ complexity of CalHFA asset mgmt reporting
- Precedent; no examples to use a model statewide

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Small Counties *Obstacles*

- Lack of government expertise/resources to lead the housing development project – no Housing Authority, Redevelopment Agency or housing department expertise
- Small allocation precludes interest from experienced housing implementers statewide as they focus on larger counties and bigger projects
- Small allocations for small counties preclude new housing development projects due to escalating building costs

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Small Counties

Possible Exceptions

#1. Allow a bypass of CalHFA to apply funds to CSS or another appropriate local fund

- Counties similar to Calaveras may have enough funds to purchase a 3-5 unit property outright, without needing CalHFA to manage additional funding
- If a property is purchased in full, CalHFA won't be needed to manage operating subsidy; county set-asides & rent will cover for upkeep & property mgmt
- Small Counties do not have enough funds to justify CalHFA interest & fees

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Small Counties

Possible Exceptions

2. Allow use of local for-profit contractor

- There are several experienced contractors in need of work who could rehab a shared housing project; a developer consultant could work with contractor.

3. Allow owner/borrower exception

- Small non-profit might be willing if project was less complex

4. Allow more/less than four units

- A house may have 5 bedrooms, but only cost \$450,000; the \$100K/unit rule should be bypassed

5. Allow master leasing from CSS as short-term solution

- Not all Counties have sufficient funds in their FSP programs for leasing; could use unexpended CSS funds

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Napa County



Supportive Housing Napa, CA
JAMES JEFFERY ARCHITECTS AIA, INC.

Digital Imaging Studio

Hartle Court 24 unit Supportive Housing Project

Napa County – Housing First

- Stable and permanent housing is necessary for most of us to maintain a healthy balance in our lives. When you struggle with a major mental illness and the resulting poverty, it is near to impossible to be healthy without a safe and consistent place to call home. This is the reason the Mental Health Services Act provided a specific funding source dedicated to housing for each county in California



Napa County Funding – A Local Initiative

MHSA: \$1.2 million for structure and \$600K in operating funds (MHSA linked to mental health populations)

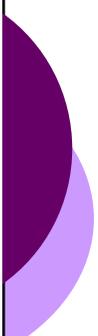
Prop 46: \$1.0 million for structure-May 2011 (Linked to Transitional Age Youth Population)

Federal Home Loan Bank – SF: \$1.0 million for structure (Linked to providing affordable housing)

Napa County: \$1.4 million (Housing Trust Fund)

City of Napa: \$500K (Affordable Housing Fund)

These totals: \$3.2 million from Federal and State Sources, and \$1.4 million from the County and \$500 from the City of Napa for a total of \$5 million. Plus an additional \$1.0 million in donated land from the Gasser Foundation



Napa County – Timeline

“There is nothing in life that cannot be fixed or forgiven”

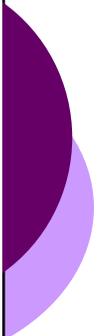
- September 4, 2007
- **Housing Work Group**
- The group consisted of consumers, non-profit partners, county agencies and mental health staff
- Purpose of Housing Workgroup
 - Establish permanent housing for individuals with severe mental illness
- Overview of Work Group planning process
 - Understand MHSA Housing Act
 - Identify and prioritize housing needs
 - Create an Request For Qualifications (RFQ) to identify a building developer and/or project
 - Recommend project to the MHSA Steering Committee and MHB
 - 30-Public Review of Housing Application
- January 9, 2008
- **Requests for Proposals sent to providers**
- February 21, 2008
- **Housing Work Group completed** its mission by recommending the Gasser and Progress Foundation, Hartle Court Housing Project
- September 2009
- **CalHFA Housing Application Submitted**



Napa County

The Initial Response

- Market with rent comparability study-\$4,000
- Progress Foundation needs to create a separate legal entity
- Rents must be capped at \$250 not the \$400 in our budget
- CalFHA requires a fee of \$18,000 to process the application and \$7,200 annually to monitor our project.
- We must come up with \$500 per unit as a replacement fee



Napa County

It All Comes Together

- The project as planned was built by the Gasser Foundation on donated land
- Funding sources will be used to purchase the project from Gasser and award to Progress Foundation as the owner-operator
- CalHFA is finalizing support commitments
- By January 2012 18 units of permanent housing for adults and 12 units of housing for transitional age youth will be occupied



Napa County

Going Green – Gold Leed Certification

- Solar photovoltaic (PV) panels are located on the roofs and over some of the windows. The window awning PV panels also serve to block direct sunlight from entering the rooms. The roofing and pathway paver stones are a lighter color to reduce building and ground heat absorption. Low-flow toilets, faucets and shower heads. Tank-less instant water heaters. Drought tolerant landscaping.



Napa County

A Few Thoughts

- Many counties leveraged funds and utilized the expertise of CalHFA to create housing
- Other counties, many of them small, generated local support and funding, while needing every dollar of MESA funding to establish a viable product.
- Counties need flexibility to use the strengths unique to each of their socio-political environments



Los Angeles County

(See Separate Power Point)

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Conclusions

- High quality, permanent supportive housing is an essential component of recovery.
- There should be a defined process to “opt out” for small counties, including specific criteria for “opt out” eligibility.
- Counties should retain the ability to voluntarily pursue a Cal HFA partnership.
- More flexibility needs to be provided around rental subsidy spending restrictions.

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Questions?



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