



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

SACHI A. HAMAI
Chief Executive Officer

April 15, 2016

Board of Supervisors
HILDA L. SOLIS
First District


MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Sachi A. Hamai 
Chief Executive Officer

REPORT ON THE SENATE BUDGET PROPOSAL "NO PLACE LIKE HOME" RELATED TO LEVERAGING MENTAL HEALTH SERVICES ACT FUNDS TO CREATE MORE PERMANENT SUPPORTIVE HOUSING (ITEM NO. 9, BOARD MEETING OF JANUARY 12, 2016)

This memorandum provides an interim report on the Board action of January 12, 2016, which: 1) instructed the Chief Executive Officer, County Counsel, the Health Agency Director, Director of the Department of Mental Health, Community Development Commission, and the Treasurer and Tax Collector to provide a comprehensive written analysis of the "No Place Like Home" initiative once details are released, but no later than 30 days; and 2) directed the Chief Executive Officer and the Sacramento advocates to work directly with the Senate President, Assembly Speaker, the Administration and other key stakeholders to ensure that any new initiatives considered by the State take into account the disproportionately high numbers of homeless individuals residing in the County and adequately address the issues identified in the County's comprehensive analysis.

Background

On January 4, 2016, Senate President pro Tempore Kevin de León and a bipartisan coalition of Senators announced a homelessness initiative called "No Place Like Home." The proposal would securitize an estimated \$130 million in Proposition 63, the Mental Health Services Act (MHSA) funds to provide \$2 billion in bond revenues to construct permanent supportive housing for chronically homeless persons with mental illnesses.

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

The proposal also would: 1) allocate \$200 million in State General Fund over 4 years to provide supportive housing and rent subsidies while permanent housing is constructed; 2) provides funding for the "Bringing Families Home Pilot Project," which is a county match grant program to reduce homelessness among families that are part of the Child Welfare System; 3) the CalWORKs Housing Support Program, which provides housing and support services for families at risk of homelessness; and 4) increase SSI/SSP grants to assist about 1.3 million low-income seniors and persons with disabilities.

Senate President De León has indicated that the Legislature will conduct hearings on the "No Place Like Home" initiative, and that it will be part of the budget negotiations with Governor Brown this Spring. To date, no further details on the initiative have been released since January 4, 2016.

Recommendation

As instructed, this office convened a workgroup of the affected departments to identify key County priorities for the use of MHSA funding as proposed in the "No Place Like Home" initiative. The workgroup developed a set of the principles that will be shared with Senate President De León's staff and will provide the framework for our advocacy efforts in Sacramento on this issue (Attachment) once the proposal is released. The proposed principles align with the Board action of January 12, 2016, and include elements to ensure that:

- The allocation of the bond funding is based on the relative number of homeless individuals in each county.
- The percentage of the \$130 million bond debt payment aligns with the percentage of MHSA revenue each county receives and is taken "off-the-top" of each county's annual MHSA allocation.
- Housing funding is aligned with funds from other available sources to provide a broad range of supportive services.
- Counties have the flexibility to choose which State or local housing or development agency administers the bond funds for their county.
- The development of permanent supportive housing is combined with a subsidy, such as capitalized operating reserves, to: keep the housing units affordable; cover operating expenses; on-site case management; and ensure that these costs are not passed along to clients or to counties.

Each Supervisor
April 15, 2016
Page 3

- Counties have the option to direct unspent MHSA funding from any plan/component of MHSA to Community Services and Supports in order to enhance funding for permanent supportive housing services.
- Counties have the flexibility to use MHSA General System Development funds for client-based housing expenditures, including, but not limited to, housing vouchers, rental subsidies, utility start-up deposits, utility costs, and furniture. This will help to increase housing capacity and address the needs of homeless clients.
- A formula is developed to establish baseline funding to enable counties to sustain services and for the State to guarantee funding up to the baseline in years when MHSA revenues decline.

Therefore, unless otherwise directed by the Board, consistent with the action of January 12, 2016 which directed the Chief Executive Officer and the Sacramento advocates to work directly with the Senate President, Assembly Speaker, the Administration and other key stakeholders to ensure that any new initiatives considered by the State take into account the disproportionately high numbers of homeless individuals residing in the County, and adequately address the issues identified in the County's comprehensive analysis, **the Sacramento advocates will support the County principles for the "No Place Like Home" initiative and other similar homeless initiatives considered by the Legislature.**

We will continue to keep you advised.

SAH:JJ:MR
VE:lm

Attachment

c: Executive Office, Board of Supervisors
County Counsel



LOS ANGELES COUNTY

Principles for “No Place Like Home” Initiative

Los Angeles County supports the effort to create funding for the creation of permanent supportive housing for the highly vulnerable individuals we serve. It is our intent to identify strategies that could be included in proposed legislation that will enhance the success of this effort, as well as, the continued success of the programs already funded with the Mental Health Services Act (MHSA).

Allocation of Bond Funds: The allocation of the bond funding should be based on the relative number of homeless individuals in each county.

Bond Debt Payment: The percentage of the \$130 million bond debt payment should align with the percentage of MHSA revenue each county receives and should be taken “off-the-top” of each county’s annual MHSA allocation.

Link Supportive Services to Housing: The Initiative must ensure that the funding for housing is aligned with funding to provide a broad range of supportive services for the tenants in this housing. The availability of supportive services for those living in permanent housing is critical to the success of the program.

Local Control and Flexibility: Counties must have the flexibility to choose which State, local housing or development agency will administer bond funds for their county.

Capitalized Operating Reserves: The development of permanent supportive housing must be combined with a subsidy, such as Capitalized Operating Reserves, in order to keep the units affordable for tenants with very low income. Capitalized Operating Reserves are used to cover the operating expenses that are in excess of the actual development income and help to ensure adequate on-site case management, property management and security staff, and to defray other costs associated with operating a supportive housing program. Including funding for Capitalized Operating Reserves in the bond measure – or separately through another mechanism – will ensure that these costs are not passed along to clients or counties and that the units remain affordable.

Maximize Funding for Mental Health/Supportive Services: In addition to the capital development funding through the bond measure, all participating counties will be required to ensure sufficient funding is available for mental health services delivered to clients/tenants of the units. The proportional allocation of MHSA funding to each of the different components of MHSA, including Community Services and Supports, Prevention and Early Intervention, Innovations, etc., is contained within the Act itself. However, there may be greater flexibility regarding unspent funding from these

components of MHSA. Therefore, the Initiative could give counties the option to direct unspent MHSA funding from any plan/component of MHSA to Community Services and Supports in order to enhance funding for permanent supportive housing services.

Create More Flexibility Regarding Client Supportive Services (aka “flex”)

Funding: Currently, certain supportive services, such as housing and rental subsidies, can only be provided to clients receiving initial outreach and engagement services or participating in intensive Full Service Partnership (FSP) programs. Many counties have also developed lower intensity community services and supports programs under General System Development that permits FSP clients to transition to a lower level of care. However, the inability to provide individual rental subsidies and other housing related expenses through these alternative programs is a barrier to transitioning clients to appropriate levels of care and ultimately results in clients being “stuck” in the higher intensity FSP programs. Regulatory flexibility to allow counties to use General System Development funds for client-based housing expenditures, including, but not limited to, housing vouchers, rental subsidies, utility startup deposits, utility costs, and furniture would increase the capacity of the system to address the needs of homeless clients at the most appropriate level of care.

Baseline Funding Guarantee: MHSA revenues fluctuate from year to year. These fluctuations will impact the ability of each county to operate the housing units and to provide supportive services. The Initiative should include a formula to establish baseline funding to ensure that counties able to sustain services and to provide a guarantee of funding up to the baseline in years when MHSA revenues decline.