County of Los Angeles
CHIEF EXECUTIVE OFFICE
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LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
http://ceo.lacounty.gov

WILLIAM T FUJIOKA
Chief Executive Officer

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Third District

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MICHAEL D. ANTONOVICH
Fifth District

June 10, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

DEPARTMENT OF MENTAL HEALTH: APPROVAL OF PARTICIPATION IN THE MENTAL HEALTH SERVICES ACT HOUSING PROGRAM AND AUTHORIZATION TO ENTER INTO AN ASSIGNMENT AGREEMENT UNDER THE MENTAL HEALTH SERVICES ACT COMMUNITY SERVICES AND SUPPORTS PLAN
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)

SUBJECT

Request approval to enter into various agreements with the California Department of Mental Health, the California Housing and Finance Agency, and project partners for the development of housing for individuals with mental illness and their families.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve, in substantially similar format to Attachment I, the Mental Health Services Act (MHSA) Housing Program Plan and Assignment Agreement under the MHSA Community Services and Supports (CSS) Plan for submission to the California Department of Mental Health (CDMH) and authorize the Director of Mental Health, or his designee, to make minor modifications to the plan in response to comments from CDMH.

2. Authorize the Director of Mental Health, or his designee, to sign two copies of the MHSA Assignment Agreement and forward both originals to the State.

3. Authorize $115,571,200 specified for the MHSA Housing Program to be transferred by CDMH on behalf of the Department of Mental Health (DMH) to the California Housing and Finance Agency (CalHFA).

4. Authorize the Director of Mental Health to enter into negotiations with project sponsors to develop units of permanent supportive housing for individuals with mental illness and their families; to enter into a Memorandum of Understanding with each of the project partners, including, but not limited to, the borrower, primary service provider, and property management agency, delineating the roles and responsibilities of each party; and to submit the project application to CalHFA for funding.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Approval of the recommended actions will allow DMH to submit the proposed MHSA Housing Program Plan and Assignment Agreement to CDMH, thereby allowing DMH to participate in the MHSA Housing Program jointly administered by CDMH and CalHFA.

On February 4, 2008 CDMH notified DMH that its MHSA Agreement allows CDMH to assign funding reserved for counties for specific MHSA activities, including the state-administered MHSA Housing Program, for the purpose of providing permanent supportive housing for clients. CDMH has indicated that counties can only access the MHSA Housing Program funds if they are assigned to CalHFA. If Los Angeles County (County) chooses not to assign these funds to CalHFA through the Assignment Agreement, under MHSA provisions the funds will revert back to the CDMH for redistribution after three years. Assignment of the MHSA Housing Program funds to CalHFA constitutes an expenditure of funds and therefore protects them from the MHSA three year reversion.

IMPLEMENTATION OF STRATEGIC PLAN GOALS:

The actions support Goal 1, Service Excellence, Goal 3, Organizational Effectiveness, Goal 5, Children and Families Well-Being, and Goal 7, Health and Mental Health of the County Strategic Plan.

FISCAL IMPACT/FINANCING

There is no impact on net County cost.

CalHFA will hold the funds transferred in a County specific sub-account, invest the funds in an appropriate investment vehicle as determined by CalHFA, and credit the County sub-account with interest received on the investment. The County may access MHSA Housing Program funds only through a MHSA Housing Program Application approved by CalHFA and CDMH. CalHFA will charge two MHSA Housing Program fees: 1 percent of the original loan amount commitment fee and an annual servicing fee of 0.42 percent of the original loan amount. The fees pay for CalHFA's expenses. CalHFA does not receive any other funding from the State to administer this program.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Through this statewide program, funds can be used for capital expenses associated with development, acquisition, construction and/or rehabilitation of existing facilities to develop new permanent supportive housing for individuals with mental illness and their families. Up to one-third of the funds can also be used for capitalized operating subsidies. Los Angeles County has been allocated $115,571,200 for this program. Upon the transfer of funds, CalHFA will invest them in an interest bearing account for DMH. All interest earned will be reinvested in the housing program for Los Angeles County.

The MHSA Housing Program was launched by the CDMH in collaboration with CalHFA and the County Mental Health Directors Association on August 6, 2007. On August 23, 2007, DMH held an information meeting for the public to notify the public about the program and the application requirements and process. On November 19, 2007, DMH released an Expression of Interest seeking eligible developers/borrowers as defined in the MHSA Housing Program guidelines to develop permanent, affordable rental-housing units including shared housing with supportive services for individuals with a mental illness and their families in a non-competitive solicitation. To date, DMH has received 25 Letters of Interest for the funding.

Project sponsors interested in building permanent supportive housing with MHSA Housing Program funds are required to partner with DMH. DMH must support and commit to providing supportive services for all projects submitted for funding. Under the program, the DMH MHSA Housing Advisory Board, comprised of DMH stakeholders, will review each project and make a recommendation to DMH on whether a project should be pursued based on the MHSA Housing Program Funding Principles (Attachment II). DMH will collaborate with the project sponsor to ensure the project

meets its needs and will work to partner service providers with the housing developer to provide supportive services to individuals who have a mental illness and their families who will reside in the housing. DMH will, as appropriate, align decisions with the Homeless Prevention Initiative (HPI), and ensure collaboration with existing HPI partners, as well as the Community Development Commission, the City and County Housing Authorities, and the City of Los Angeles Housing Department. DMH proposes to notify your Board through a memorandum of the projects proposed to be supported by DMH, contact the Board office responsible for the area in which the project is located and to present the proposed project at the monthly meeting of your deputies who represent your Board on homeless issues. Following this notification and discussion, DMH will post the project for public comment for 30 days prior to submitting the project to CalHFA,

CalHFA will be responsible for the review and approval of housing program applications for all aspects related to purchase, renovation and/or construction of housing development and will underwrite the loan to the project sponsor. CDMH will be responsible for review of the service related aspects of the application and for monitoring of the project to assure that appropriate supportive mental health services continue to be provided. Once the housing units are complete, DMH will certify that applicants for the units meet the MHSA Housing Program target population and ensure that services are provided to the tenants and all required outcome data is collected for the program. The capital funding will be distributed in the form of a loan through a contractual agreement between CalHFA and the eligible borrower. The operating subsidies will be distributed as a grant.

In accordance with the State's guidelines for the funds, on March 12, 2008, DMH posted the proposed MHSA Housing Program and Assignment letter for the required 30 days public comment period. No comments were received during the public comment period.

On May 6, 2008, your Board approved DMH's MHSA Agreement with CDMH. This approval allows for the execution of this Assignment Agreement with CDMH.

IMPACT ON CURRENT SERVICES

Board approval of the proposed actions will allow DMH to use MHSA funds for the purpose of providing permanent supportive housing for individuals with mental illness and their families.

CONCLUSION

The Department of Mental Health will need one copy of the adopted Board letter. It is requested that the Executive Officer of the Board notify the Department of Mental Health's Contracts Development and Administration Division at (213) 738-4684 when this document is available.

Respectfully submitted,

WILLIAM T FUJIOKA
Chief Executive Officer

WTF:SRH:SAS
MLM:DAS:yb

Attachments (2)

c: County Counsel
Director, Department of Mental Health
Chairperson, Mental Health Commission

061008_DMH_MHSA

Attachment I

MENTAL HEALTH SERVICES ACT
COMMUNITY SERVICES AND SUPPORT PLAN

PROPOSED MHSA HOUSING PROGRAM
ASSIGNMENT OF FUNDS TO
CALIFORNIA HOUSING
AND FINANCE AGENCY

COUNTY OF LOS ANGELES
DEPARTMENT OF MENTAL HEALTH

May 20, 2008

On August 6, 2007, the California Department of Mental Health (CDMH) and the California Housing Finance Agency (CalHFA) launched the Mental Health Services Act (MHSA) Housing Program that provides funding to support capital development and capitalized operating subsidies for supportive housing for individuals with psychiatric disabilities and their families.

Los Angeles County will be allocated a total of $115,571,200 for three and a half years for the development of permanent supportive housing; $75 million for capital development including rehabilitation and $40 million for capitalized operating subsidies. MHSA Housing Program funds can only finance one-third of the total cost of housing development. The capital development allocation of $75 million will therefore leverage a minimum of $150 million of other public and private housing funds.

DMH can only access MHSA Housing Program funds if they are assigned to CalHFA through an Assignment Agreement (Attachment A). If Los Angeles County does not assign these funds to CalHFA, the funds will revert to CDMH for redistribution. Assignment of MHSA Housing Program funds to CalHFA constitutes an expenditure of funds, and thus protects them from the three year reversion provision in the MHSA (Section 5892 (h)). These funds are critical to Los Angeles County's commitment to end homelessness. The Los Angeles County Department of Mental Health (DMH) proposes to enter into the attached Assignment Agreement, assigning the $115,571,200 to CDMH, which will in turn give the funds to CalFHA.

The MHSA Housing Program will be jointly administered by CDMH and CalHFA. MHSA Housing Program funds may only be used to build permanent supportive housing in conjunction with CalHFA. These funds cannot be used for mental health services or for any other purpose.

CalHFA will hold the housing program funds in a Los Angeles County-specific sub-account, invest the funds in an appropriate vehicle (as determined by CalHFA) and credit the L.A. County sub-account with interest received on the investment. CalHFA will charge the developer that receives the funds to underwrite the capital development project two MHSA housing program fees: 1% of the original loan amount commitment fee and an annual servicing fee of 0.42% of the original loan amount. The fees pay for CalHFA's administration expenses. CalHFA does not receive any additional funding from the State to administer this program.

DMH will benefit from the more than 30 years of experience and expertise that CalHFA has in asset management of affordable housing. CalHFA responsibilities will include all aspects related to purchase, renovation and/or construction of housing development; underwriting loans, disbursing funds and ensuring that, once built, the property remains financially solvent and continues to serve the purpose for which it was developed.

PUBLIC REVIEW

The proposed request for Mental Health Services Act (MHSA) Housing Program and Assignment Agreement under the MHSA Community Services and Supports (CSS) plan was posted on the Los Angeles County Department of Mental Health website at http://dmh.lacounty.info/stp/ on March 21, 2008. The 30-day public review and comment period ended on April 19, 2008. The plan was distributed and discussed with Department's System Leadership Team comprised of Department staff and stakeholders and the Mental Health Commission executive members. The Board of Supervisors, MHSA delegates and stakeholders including the Underrepresented Ethnic Populations group members were notified that the

proposed request for one-time funds expansion plan was posted for comment on the Department website.

Stakeholders and other community members were invited to provide input, recommendations and comments on the proposed MHSA Housing Program Assignment of Funds to CalHFA plan by sending e-mails to MHSApubliccomment@dmh.lacounty.gov, by submitting written comments to Los Angeles County Department of Mental Health, Adult Systems of Care Countywide Programs, Attention: Dr. Maria Funk, 695 S. Vermont Avenue, 8th Floor, Los Angeles, CA 90005, or by fax to (213) 637-2336. (See Appendix for a copy of the comment form.)

STAKEHOLDER INPUT, RECOMMENDATIONS AND COMMENTS

No public comments were received.

ATTACHMENT A

Assignment Agreement

Assignment Agreement

MHSA Housing Program

Los Angeles County

Los Angeles County (the County) agrees to participate in the state-administered Mental Health Services Act (MHSA) Housing Program funded from the Community Services and Support Component of the MHSA. The MHSA Housing Program will be jointly administered by the Department of Mental Health (DMH) in conjunction with the California Housing and Finance Agency (CalHFA).

The County agrees that upon its approval of this Assignment, the State Fiscal Year 2007/08 Planning Estimate in the amount of $115,571,200 specified for the MHSA Housing Program will be transferred by DMH on behalf of the County to CalHFA. Specifically, funds in the amount specified will be transferred from the Mental Health Services Fund to the State Operations portion of the DMH state budget, item 4440-001-0001 Program 10, State Operations. DMH will then transfer these funds to CalHFA for support of the MHSA Housing program.

CalHFA will hold the funds transferred in a county specific sub-account, invest the funds in an appropriate investment vehicle as determined by CalHFA, and credit the county sub-account with interest received on the investment. The County (and the project sponsor, if applicable) may access MHSA Housing Program funds only through a MHSA Housing Program Application approved by CalHFA and DMH.

CalHFA is responsible for the review of the application for all aspects of the project related to purchase, renovation and/or construction of the housing development; underwriting of loans; disbursement of funds; all determinations regarding the use of operating subsidies for the development; and continued monitoring of the project.

DMH is responsible for review of the service related aspects of the application and for monitoring of the project to assure that appropriate supportive services continue to be provided.

Nothing shall prohibit the County from using funds from other programs to supplement the MHSA Housing Program funds, subject to requirements that may be applicable to use of such funds. This Assignment shall be effective only if the county has a fully executed MHSA Agreement with DMH.

Approved for County (by signature)
Printed Name and Title:

ATTACHMENT B

Public Review Notice and Comment Forms

COUNTY OF LOS ANGELES

MARVIN J. SOUTHARD, D.S.W.
Director

ROBIN KAY, Ph.D.
Acting Chief Deputy Director

RODERICK SHANER, M.D.
Medical Director

695 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90005

BOARD OF SUPERVISORS
GLORIA MOLINA
YVONNE B. BURKE
ZEV YAROSLAVSKY
DON KNABE
MICHAEL D. ANTONOVICH

DEPARTMENT OF MENTAL HEALTH

http://dmh.lacounty.gov

Reply To: (213) 251-6582
Fax: (213) 637-2336

Attachment IB

MENTAL HEALTH SERVICES ACT (MHSA)
PROPOSED MHSA HOUSING PROGRAM ASSIGNMENT OF FUNDS TO CALIFORNIA HOUSING AND FINANCE AGENCY

March 21, 2008

The Los Angeles County Department of Mental Health (LACDMH), as required under the Mental Health Services Act (MHSA), is opening a public review and comment period for the Proposed MHSA Housing Program Assignment of Funds to California Housing and Finance Agency (CalHFA). The proposal is to assign funds in the amount of $115,571,200 to CalHFA to support the capital development and capitalized operational subsidies for permanent supportive housing for individuals with psychiatric disabilities and their families. These critical housing program funds can only be accessed if they are assigned to CalHFA.

The public review and comment period will run from March 21, 2008 through April 19, 2008. The document under review will be posted on the LACDMH website (http://dmh.lacounty.info/stp/) and hard copies are available from LACDMH Adult Systems of Care Countywide Programs, 695 S. Vermont Avenue, 8th Floor, Los Angeles, CA 90005. Any member of the public may request a hard copy of the document by contacting Dr. Maria Funk, District Chief, at (213) 251-6582.

Please e-mail your input, recommendations and comments to MHSApubliccomment@dmh.lacounty.gov or submit written comments to Dr. Maria Funk, Adult Systems of Care Countywide Programs, 695 S. Vermont Avenue, 8th Floor, Los Angeles, CA 90005 or by fax to (213) 637-2336.

Los Angeles County Department of Mental Health
Mental Health Services Act (MHSA)

ASSIGNMENT OF FUNDS

30 day Review and Comment Period

March 21, 2008 – April 19, 2008

PUBLIC REVIEW

Personal Information (OPTIONAL)	
Name:	
Agency/ Organization:	E-mail address:
Mailing Address:	

Comments

Any member of the public may submit written comments on or before April 19, 2008. Written comments can be submitted on this form by e-mail to MHSApubliccomment@dmh.lacounty.gov, or by letter addressed to:

Los Angeles County Department of Mental Health
Adult System of Care Countywide Programs
Attention: Dr. Maria Funk
695 S. Vermont Ave, 8th Floor
Los Angeles, CA 90005
Fax # (213) 637-2336

"To Enrich Lives Through Effective And Caring Service"

Departamento de Salud Mental del Condado de Los Angeles
Ley de Servicios de Salud Mental (MHSA)

ASIGNACIÓN DE FONDOS

Periodo de 30 dias de Revisiones y Comentarios

Marzo 21, 2008 - Abril 19, 2008

REVISIÓN PÚBLICA

Información Personal (OPCIONAL)	
Nombre:	Apellido:
Agencia/ Organización:	Correo electrónico:
Domicilio:	

Comentarios:

Cualquier persona del publico puede enviar sus comentarios antes del 19 de Abril, 2008. Sus comentarios pueden ser enviados por correo electrónico a: MHSApubliccomment@dmh.lacounty.gov, tambien puede escribir sus comentarios en este formulario y enviarlos por correo al:

Departamento de Salud Mental del Condado de Los Angeles
Programas de Cuidado de Adultos dentro del Sistema del Condado
Atención: Dra. Maria Funk
695 S. Vermont Ave, 8th Floor
Los Angeles, CA 90005
Fax # (213) 637-2336

"To Enrich Lives Through Effective And Caring Service"

COUNTY OF LOS ANGELES - DEPARTMENT OF MENTAL HEALTH
ADULT JUSTICE, HOUSING, EMPLOYMENT & EDUCATION SERVICES

MENTAL HEALTH SERVICES ACT (MHSA) HOUSING PROGRAM FUNDING PRINCIPLES

RECOMMENDED BY THE MHSA HOUSING ADVISORY BOARD

1. Prioritize proposals that are at the highest degree of "readiness" defined as those projects that have site control, all planning, zoning and other entitlements necessary to obtain a building permit, State and Federal environmental clearances, as applicable, Article XXXIV compliance and commitments of at least some of the other funding sources required for construction and permanent financing.

2. Prioritize projects that serve target populations who are at 30% Area Median Income or lower.

3. Prioritize proposals with local funding commitments—e.g., from the Homeless Prevention Initiative, from any of the 88 cities in Los Angeles County, and/or from local foundations, business organizations, and other local sources willing to offer funding for supportive housing particularly those projects that demonstrate operating subsidies as a funding commitment.

4. Prioritize projects that propose to serve people who are homeless over projects who propose to serve people who are at-risk of homelessness.

5. Prioritize projects that are geographically dispersed by funding projects located in diverse areas throughout the County.

6. Prioritize the option of increasing the funding cap of $100,000 per unit for capital development and operating subsidies for projects in areas of the County with limited supportive housing and/or projects that target families, Transition Age Youth and/or older adults.