

MOTION BY SUPERVISORS MARK RIDLEY-THOMAS AND SHEILA KUEHL

October 3, 2017

Enhancing the Pool of Funds to Increase the Supply of Affordable Housing Countywide

In 2016, the State of California (State) developed the No Place Like Home (NPLH) program to expedite the development of affordable housing, specifically targeting individuals with mental health issues. Initially, the State anticipated that the first round of funding would be made available to local jurisdictions in 2017. However, a protracted judicial validation process has prolonged the time required to set-up the program, and now the State anticipates that the first round of NPLH funding will not be made available until winter 2018-2019, at the earliest.

In the interim, there is an opportunity to increase the pipeline for permanent supportive housing that serves the clients of the Department of Mental Health (DMH) by transferring funds to the Community Development Commission of the County of Los Angeles (CDC), to be allocated through their bi-annual Notice of Funding Availability (NOFA) process which begins this fall. Transferring these funds would allow for a more immediate ramp-up of affordable housing for those with special needs, including those living with mental health issues, and would set the stage for the County’s future implementation of the NPLH program.

Over the past few years, a growing number of projects that have been

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MOTION BY SUPERVISORS MARK RIDLEY-THOMAS AND SHEILA KUEHL
October 3, 2017
PAGE 2

recommended for funding through the CDC's NOFA have not moved into construction, given their unsuccessful reliance on 9% low-income housing tax credits to fully finance such projects, which have become increasingly competitive. Deepening the local subsidy for such units with DMH-identified funding can potentially allow more projects to be developed with 4% low-income housing tax credits, which are less competitive and can be secured on a rolling basis based on specified criteria, thereby ensuring development in a more timely and certain manner. These funds can also greatly enhance the competitiveness of a project choosing to apply for 9% low-income housing tax credits. In addition, the increased availability of NOFA funds could be used to leverage the City of Los Angeles' Proposition HHH funding which is anticipated to leverage NPLH funds in the future. DMH funds have historically funded capital and operating costs associated with permanent supportive housing, however, a streamlined partnership with the CDC will ensure that projects can be completed in a more efficient manner.

In addition, the allocation of DMH funds to scale up affordable housing for eligible special needs populations, could expand the resources available to support key policy objectives beyond permanent supportive housing, namely the development of strategies to significantly expand the creation and preservation of affordable housing to serve the extremely low-income and low-income populations through thoughtfully-leveraged public subsidies.

In summary, the use of DMH funds for permanent supportive housing through the NOFA funding process will help more immediately meet the 15,000 permanent supportive housing unit deficit, as well as the 550,000 affordable housing unit deficit that is impacting communities across the County of Los Angeles.

WE THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

1. Direct the Director of the Department of Mental Health (DMH) to report back to the Board of Supervisors (Board) within thirty (30) days, identifying the potential sources of funding within DMH that would allow the allocation

MOTION BY SUPERVISORS MARK RIDLEY-THOMAS AND SHEILA KUEHL
October 3, 2017
PAGE 3

of \$50 million during Fiscal Year 2017-2018 to the Community Development Commission of the County of Los Angeles (CDC) to be administered County-wide through the CDC's bi-annual Notice of Funding Availability (NOFA) pursuant to the terms of a memorandum of understanding to be entered into between DMH and the CDC;

2. Delegate authority to the Director of DMH to enter into a Memorandum of Understanding (MOU) with the CDC, subject to approval as to form and legality by County Counsel, for County-wide activities related to the funding and operation of permanent supportive and affordable housing, including, without limitation, administration and allocation of up to \$50 million of available funding identified by DMH pursuant to the above directive to be administered through the CDC's NOFA process;
3. Authorize the Auditor Controller to transfer to the CDC up to \$50 million during Fiscal Year 2017-2018 in funds identified by the Director of DMH in accordance with the terms of the MOU; and
4. Direct the Director of DMH to report back within 90 days with a proposed funding level to be allocated to the CDC for activities related to the funding and operation of permanent supportive and affordable housing in future fiscal years.

WE FURTHER MOVE THAT THE BOARD OF SUPERVISORS, ACTING AS THE BOARD OF COMMISSIONERS OF THE COMMUNITY DEVELOPMENT COMMISSION:

1. Delegate authority to the Executive Director, or designee, to enter into a Memorandum of Understanding (MOU) with the County of Los Angeles' Department of Mental Health (DMH), subject to approval as to form and legality by County Counsel, for County-wide activities related to the funding and operation of permanent supportive and affordable housing. The MOU would also include, without limitation, administration and allocation of up to

MOTION BY SUPERVISORS MARK RIDLEY-THOMAS AND SHEILA KUEHL
October 3, 2017
PAGE 4

- \$50 million of available funding identified by DMH with the objective that the funds be allocated through NOFA 23A and 23B in order to provide increased public subsidy to projects that include DMH clients, optimize the number of projects that are eligible for 4% low-income housing tax credit financing beginning in NOFA 23A, and moreover, increasing the number of affordable units that serve non-permanent supportive housing populations, beginning with NOFA 23B; and
2. Delegate authority to the Executive Director, or designee, to accept and incorporate up to \$50 million from DMH into the CDC's Fiscal Year 2017-2018 Budget following the execution of the MOU.

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(KK/DW)