

COUNTY OF LOS ANGELES

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

ROBIN KAY, Ph.D.
Chief Deputy Director

RODERICK SHANER, M.D.
Medical Director



BOARD OF SUPERVISORS

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DEPARTMENT OF MENTAL HEALTH

<http://dmh.lacounty.gov>

550 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90020

Reply To: (213) 738-4601
Fax: (213) 386-1297

December 18, 2012

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

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

23 December 18, 2012

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

**AUTHORIZATION TO ENTER INTO TWO ASSIGNMENT AGREEMENTS
WITH THE CALIFORNIA HOUSING FINANCE AGENCY
UNDER THE MENTAL HEALTH SERVICES ACT
COMMUNITY SERVICES AND SUPPORTS PLAN
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT

Request approval to enter into an Assignment Agreement with the California Housing Finance Agency to transfer funds for the Mental Health Services Act Housing Program to be used for capital development and operating subsidies for the development of Permanent Supportive Housing for homeless individuals with mental illness and their families within Los Angeles County.

IT IS RECOMMENDED THAT THE BOARD:

1. Authorize the Director of Mental Health (Director), or his designee, to sign a Mental Health Services Act (MHSA) Housing Program Assignment Agreement, substantially similar to Attachment I, with the California Housing Finance Agency (CalHFA) to transfer \$2 million of one-time MHSA funds for Fiscal Year (FY) 2012-13 for capital development.
2. Authorize the Director, or his designee, upon Board approval, to sign an annual MHSA Housing Program Assignment Agreement (Assignment Agreement), substantially similar to Attachment II, with CalHFA, and to transfer \$423,491 of MHSA funds annually for FYs 2012-13 through 2031-32, for Permanent Supportive Housing projects targeting Transition Age Youth (TAY). The total amount of MHSA funds to be transferred through FY 2031-32 is \$8,465,198.

3. Delegate authority to the Director, or his designee, to sign and execute amendments to such Assignment Agreements, as necessary, to comply with CalHFA requirements provided that approval by County Counsel, or his designee, is obtained prior to such amendments; and the Director notifies your Board and Chief Executive Officer of the amendment in writing within 30 days after execution of each amendment.
4. Delegate authority to the Director, or his designee, to assign to CalHFA additional available MHSA funds provided that: 1) the total amount of MHSA funds transferred does not exceed an increase of 10 percent of the last Board-approved total amount of MHSA funds authorized to be transferred; 2) sufficient funds are available for such transfer; 3) assigned funds are used for Permanent Supportive Housing projects; and 4) the Director notifies your Board and Chief Executive Officer ten days in advance of the total amount of funds to be transferred.
5. Authorize the Director, or his designee, to terminate a Department of Mental Health (DMH) Services Agreement with Step Up on Second Street, Inc., Contract No. MH190072, for Project-Based Operating Subsidies for Supportive Housing for TAY, effective after the establishment of a CalHFA subaccount to continue funding for this program.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On June 10, 2008, your Board authorized DMH to enter into a MHSA Housing Program Assignment Agreement with the State Department of Mental Health (SDMH) and assign to CalHFA \$115,571,200, for the development of Permanent Supportive Housing for homeless individuals with a mental illness and their families. With the passage of Assembly Bill 100, eliminating and/or transferring many of the functions and responsibilities of SDMH to other State agencies, SDMH is no longer able to transfer funds to CalHFA on behalf of local counties for the MHSA Housing Program. Instead, counties must execute annual Assignment Agreements directly with CalHFA to transfer Community Services and Support Plan funds to CalHFA.

Accordingly, the recommended actions are necessary for the continuation of the MHSA Housing Program, and will enable DMH to assign to CalHFA \$2 million of one-time Community Services and Support Plan funds for both capital development and operating subsidies, and \$423,491 of Community Services and Support Systems Development TAY Project Based Operating Subsidies on an annual basis which will be used as originally intended, but managed by CalHFA.

Board approval to transfer \$423,491 annually for FY 2012-13 through FY 2031-32 of MHSA TAY Project Based Operating Subsidies funds will allow public and private lending institutions and equity investors to view these funds as a secure source of capitalized operating subsidy. When these lending institutions and equity investors assess the financial viability of a project, they require a secured source of capitalized operating subsidy for a minimum of 15 to 20 years. This annual allocation is contingent upon the availability of MHSA revenue.

The original MHSA Community Services and Support Plan included funding under Systems Development for TAY Project Based Operating Subsidies. In 2008, through a Request for Proposals, DMH allocated \$56,666 annually to the Step Up on Second Street, Inc., Daniel's Village Permanent Supportive Housing (PSH) project, which is also funded under the MHSA Housing

Program. Transferring the TAY project based subsidies to CalHFA will streamline the solicitation process for housing developers and will result in improved efficiency in the administration of the funds. DMH will continue to use its current solicitation process to allocate the MHSA Housing Program funds.

With Board approval, and the transfer of the TAY Project Based Operating Subsidies to CalHFA, DMH will terminate its current contract with Step Up on Second Street, Inc., Daniel's Village and CalHFA will assume responsibility for funding the operating subsidies. CalHFA will add the \$56,666 per year for project-based subsidies to the existing CalHFA contract with Step Up on Second Street, Inc., and will assume oversight and management of future allocations of operating subsidies for tenants residing at Daniel's Village. This will improve efficiencies for the program and for the contractor. In addition, transferring the TAY project based operating subsidies, will allow DMH to provide project based operating subsidies to units in other MHSA funded projects serving TAY.

Implementation of Strategic Plan Goals

The recommended Board actions support the County's Strategic Plan Goal 3, Integrated Services Delivery.

FISCAL IMPACT/FINANCING

The total amount of the Assignment Agreement is \$10,469,920 for FY 2012-13 through FY 2031-32, fully funded by MHSA State revenue. DMH will transfer \$2,000,000 for capital development and \$423,491 for PSH projects targeting TAY in FY 2012-13 for a total of \$2,423,491, which is included in DMH's FY 2012-13 Adopted Budget. Allocations for future fiscal years will be requested annually during the term of the Agreement in the DMH Recommended Budget.

CalHFA will place the transferred funds in an interest bearing account until the funds have been committed to a particular housing project. All accrued interest will be retained in the Los Angeles County subaccount for the MHSA Housing Program.

There is no net County cost associated with this action.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On June 10, 2008, your Board approved DMH's participation in the MHSA Housing Program and authorized DMH to enter into the MHSA Housing Program Assignment Agreement with SDMH and assign \$115,571,200 to CalHFA for the development of PSH for homeless individuals with a mental illness and their families.

With the passage of Assembly Bill 100, eliminating and/or transferring many of the functions and responsibilities of SDMH to other State agencies, SDMH is no longer able to transfer funds to CalHFA on behalf of local counties for the MHSA Housing Program. Instead, counties must execute annual Assignment Agreements with CalHFA as well as transfer Community Services and Support Plan funds directly to CalHFA.

As of September 6, 2012, DMH has committed approximately 97 percent or \$112,160,757 of the

original \$115,571,200 allocation providing capital development and/or operating subsidies for 33 PSH projects geographically dispersed across the five Supervisorial Districts.

In accordance with SDMH guidelines for the allocation of MHSA funds, DMH is including these proposed actions in the MHSA FY 2012-13 Annual Plan. On April 25, 2012, the Annual Plan was presented to the System Leadership Team and on April 26, 2012, to the Mental Health Commission. The plan was posted for the required 30-day public comment period from May 29, 2012, through June 28, 2012. A public hearing was conducted on June 28, 2012. No comments were received from the public in response to the posting or at the hearing.

CONTRACTING PROCESS

The MHSA Housing Program, a statewide program, was launched by the SDMH in collaboration with CalHFA and the County Mental Health Directors Association on August 6, 2007. On May 30, 2008, an Inter-Agency Agreement was executed between SDMH and CalHFA for the Administration of the MHSA Housing Program. SDMH established CalHFA as the lending institution and statewide partner for the administration of the MHSA Housing Program.

Since its creation in 1975, CalHFA has been the State's affordable housing bank and has the expertise in developing and administering real estate lending programs and products benefiting persons of low and moderate income. In addition, CalHFA is authorized to enter into contracts and administer housing and real estate lending programs for the benefit of other agencies of the State of California.

CalHFA is responsible for the review and final approval of MHSA Housing Program applications for all aspects related to purchase, renovation and/or construction of housing development and underwrites the loan to the project sponsor. In addition, CalHFA is responsible for the disbursement of the operating subsidy during the term of the operating subsidy agreement. Furthermore, CalHFA is responsible for the ongoing overview of the asset management of all PSH projects funded through the MHSA Housing Program.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Board approval of the proposed actions will allow DMH to continue to use MHSA funds for the purpose of providing PSH for homeless individuals with mental illness and their families throughout Los Angeles County. In addition, DMH will be able to more efficiently provide much needed operating subsidies for PSH targeting TAY. The continuation of the MHSA Housing Program is a critical component to achieving Los Angeles County's plan to end homelessness.

The Honorable Board of Supervisors

12/18/2012

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mg Southard". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

MARVIN J. SOUTHARD, D.S.W.

Director of Mental Health

MJS:MM:MF:RK:cp

Enclosures

c: Chief Executive Officer
County Counsel
Executive Officer, Board of Supervisors
Chairperson, Mental Health Commission

MHSA HOUSING PROGRAM ASSIGNMENT AGREEMENT

MHSA Housing Program
_____ County

_____ County (the "**County**") agreed to participate in the state-administered Mental Health Services Act ("**MHSA**") Housing Program funded from the Community Services and Supports component of the MHSA Three-Year Program and Expenditure Plan. The MHSA Housing Program is jointly administered by the Department of Mental Health ("**DMH**") and the California Housing Finance Agency ("**CalHFA**").

The County represents and warrants that it has a fully executed agreement between it and DMH memorializing its participation in the MHSA Housing Program.

The County agrees that upon its approval of this Assignment, in addition to any funds previously assigned, \$_____ will be transferred to CalHFA for 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. CalHFA will treat the funds as if such funds were transferred by DMH to CalHFA in accordance with the terms of the "Inter-Agency Agreement For The Administration Of The Mental Health Services Act Housing Program" dated May 30, 2008, and entered into by DMH and CalHFA (the "**Inter-Agency Agreement**").

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

The County acknowledges and agrees that (1) CalHFA is not assuming any obligations, responsibilities, or liabilities beyond those set forth in the Inter-Agency Agreement, (2) this Agreement shall not be deemed a modification or amendment to the Inter-Agency Agreement, and (3) CalHFA is not responsible for any of the DMH obligations or liabilities set forth in the Inter-Agency Agreement, including without limitation the review of the supportive services-related aspects of the application and for monitoring the program to assure that appropriate supportive services continue to be provided.

Nothing shall prohibit the County from using funds from other programs to supplement MHSA Housing Program funds, subject to requirements applicable to use such funds.

Date: _____

Approved for County (by signature):

By: _____
Name: _____
Title: _____

CALIFORNIA HOUSING FINANCE AGENCY, a public instrumentality and political subdivision of the State of California

By: _____
Name: Claudia Cappio
Title: Executive Director

MHSA HOUSING PROGRAM ASSIGNMENT AGREEMENT

MHSA Housing Program

_____ County

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The County acknowledges and agrees that (1) CalHFA is not assuming any obligations, responsibilities, or liabilities beyond those set forth in the Inter-Agency Agreement, (2) this Agreement shall not be deemed a modification or amendment to the Inter-Agency Agreement, and (3) CalHFA is not responsible for any of the DMH obligations or liabilities set forth in the Inter-Agency Agreement, including without limitation the review of the supportive services-related aspects of the application and for monitoring the program to assure that appropriate supportive services continue to be provided.

Nothing shall prohibit the County from using funds from other programs to supplement MHSA Housing Program funds, subject to requirements applicable to use such funds.

Date: _____

Approved for County (by signature):

By: _____

Name: _____

Title: _____

CALIFORNIA HOUSING FINANCE AGENCY, a public instrumentality and political subdivision of the State of California

By: _____

Name: Claudia Cappio

Title: Executive Director