

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: January 27, 2017

TO: Honorable Members of the Rules, Elections, Intergovernmental Relations and Neighborhoods Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst

Assignment No: 17-01-0089

**City Comments on the “No Place Like Home” (AB 1618)
Proposed Program Framework**

SUMMARY

On July 1, 2016, Governor Brown authorized the creation of the No Place Like Home Program (NPLH) through Assembly Bill 1618, authorizing \$2 billion in bond proceeds to be repaid with funding from the Mental Health Services Act (MHSA) Fund. This investment is critical in leveraging additional funds to facilitate permanent supportive housing in the City of Los Angeles.

On December 21, 2016, the California Department of Housing and Community Development (HCD) released the *NPLH Proposed Program Framework (Draft Program)* for public comment. Subsequent to the release of the Draft Program, the Housing and Community Investment Department (HCID) submitted comments to our Office in advance of HCD’s deadline for public comment of January 31, 2017. This report provides an overview of the Draft Program and HCID’s comments to the Draft Program for Council’s consideration. Our Office recommends that Council authorize HCID to formally submit the comments described in this report to HCD as the official City’s position, instruct HCID to coordinate with the County and analyze any subsequent proposed changes to the No Place Like Home Program, and draft additional comments, as necessary, for Council approval.

RECOMMENDATIONS

That the Council, subject to approval of the Mayor:

1. Adopt the attached Resolution (Attachment A) to include in the City’s 2017-2018 State Legislative Program support for the City’s comments relative to the *No Place Like Home Proposed Program Framework*.
2. Authorize HCID to submit the City’s comments consistent with Council action, and a joint City letter executed by the Mayor and Council President to the Department of Housing and Community Development by the January 31, 2017 deadline.
3. Direct HCID, with the assistance of the Chief Legislative Analyst, to coordinate with the County and monitor any new proposed changes to the No Place Like Home Program and report, as necessary, on additional comments for Council approval.

BACKGROUND

“No Place Like Home Program” Proposed Program Framework

According to HCD, the NPLH Program will expend dedicated bond proceeds to “invest in the development of permanent supportive housing for persons who are living with a severe mental illness and are in need of mental health and/or substance use services and are experiencing chronic homelessness, or are at-risk of chronic homelessness, or homelessness.” The California Health Facilities Financing Authority (CHFFA) is authorized to issue \$2 billion in bonds and contract with HCD to provide grants or loans to counties. HCD notes that CHFFA may initiate an action to validate the bonds and related contracts prior to HCD making the program funds available.

AB 1618 establishes the NPLH Advisory Committee (Committee), to be chaired by the HCD Director or designee, and comprised of 15 members who will advise and implement the NPLH Program. The Committee members will also include: the Director of Health Care Services, Secretary of Veterans Affairs, Director of Social Services, State Treasurer, Chair of the Mental Health Services Oversight and Accountability Commission, or their designees; a chief administrative officer or a member of the county Board of Supervisors for a small and large county; Governor appointees including a director of a county behavioral health department, an administrative officer of a city, a representative from a local or regional continuum of care organization that coordinates homeless funding and a resident of supportive housing; a representative from an affordable housing organization appointed by the Speaker of the Assembly, and a representative from a community mental health organization to be appointed by the Senate Rules Committee.

Eligible uses for NPLH Program funds include capital costs for multifamily housing, shared housing and scattered site projects. Funds may be used to finance acquisition and other costs, including, but not limited to, design, construction, rehabilitation, or preservation, and to capitalize operating subsidy reserves, of permanent supportive housing for the target population.

The primary component of the \$2 billion in the NPLH Fund is an allocation of \$1.8 billion to be distributed through either a Competitive Program or an Alternative Process. The Draft Program’s proposed formula allocates funds to these programs based on the Homeless Point-in Time Count (weighted at 70%) and Extremely Low Income (ELI) Renter Cost Burden (weighted at 30%). Small Counties could be considered for a minimum of eight percent set aside in a given funding round under the Draft Program. Allocations would be subject to a deduction for the State’s administrative costs and default reserves. A total of \$200 million is also available via an over-the-counter process. In addition, a total of \$6.2 million through the Mental Health Services Fund is available for technical assistance. These components are described below.

Competitive Program: \$1.8 Billion

AB 1618 requires that HCD organize counties in competitive groupings based on population, as follows: (a) The County of Los Angeles; (b) Large Counties with a population greater than 750,000; (c) Medium Counties with a population between 200,000 and 750,000; and (d) Small Counties with a population less than 200,000. Counties may apply for funds as the sole applicant if they are the developer sponsor or jointly with a developer as development sponsor. Funds would be distributed as loans underwritten by HCD and there would be a minimum of four funding rounds, one per year, following the completion of the prior round. The Draft Program estimates a total allocation of \$614,075,173 to Los Angeles County under the Competitive Program.

Alternative Process - \$1.8 Billion

An Alternative Process, whereby a county may elect to administer its own allocation, is available to counties with at least five percent of the State's homeless population. The counties that qualify under the Alternative Process at this time are: Los Angeles, San Francisco, San Diego, and Santa Clara. If these counties choose to operate under the Alternative Process, they would be responsible for project implementation, including the selection of projects, underwriting, holding the Notes and Deeds of Trust, and long-term monitoring. Counties would also be permitted to pay for costs associated with program administration with program funds. Should funds not be committed within two years of the award to the county, they would be redirected to the Competitive Program. Counties that elect the Alternative Process would not be eligible for funds through the Competitive Program. The Draft Program estimates a total allocation of \$626,607,319 to Los Angeles County under the Alternative Process.

Over-the-Counter Funds - \$200 Million

Counties would be eligible for over-the-counter funding based on their proportional homeless count or \$500,000, whichever is greater. Under this component, counties may apply for project funding as the sole applicant if they are the developer sponsor, or jointly with a developer as development sponsor. Funds may be used to finance the construction, rehabilitation, or preservation of housing and to capitalize operating reserves. HCD would administer these loans. Should funds not be awarded within the first 18 months, they would be redirected to the competitive pool. The Draft Program estimates a total allocation of \$69,870,183 to Los Angeles County under the Over-the-Counter program.

Technical Assistance - \$6.2 Million

Technical Assistance (TA) grant funds would be available to counties upon application for planning and implementation of the NPLH Program. In accordance with AB 1618, funding amounts would be based on the county's size as follows: (1) Los Angeles County and Large Counties - \$150,000; (b) Medium Counties - \$100,000; and Small Counties \$75,000. Should a county not expend its allocation by June 30, 2020, the funds would return to HCD. It is anticipated that a TA Notice of Funding Availability (NOFA) will be released in January/February, applications will accepted on a rolling basis through June, and awards will be made through August 2017.

Schedule

The Draft Program’s tentative schedule is noted below.

Initial Research and Stakeholder Outreach	Fall 2016
Release of the Framework Paper and Start of Public Comment Period	Winter 2016
Advisory Committee Meetings Begin	Winter 2017
Development of Guidelines	Spring 2017
Completion of Guidelines and NOFA	Summer 2017
Release of NOFA	Winter 2018*

*Subject to validation process

City’s Comments

HCID’s comments relative to the Draft Program are summarized below and provided in their entirety as Attachment B. It is anticipated that the comments provided will help make the City’s projects competitive in leveraging additional resources to fund supportive housing developments. Further, our Office has included a Resolution which, if adopted, would add these comments to the City’s 2017-2018 State Legislative Program. In addition, our Office recommends that HCID be responsible for submitting the City’s comments to HCD. HCID requests that HCD consider the following:

- *Definition of At-Risk of Chronic Homelessness* – include persons exiting institutional settings including hospitals, but allow for flexibility in qualifying these individuals. This definition should also include Transition-Age Youth who have not had time to become Chronically Homeless.
- *Target Population* – for the homeless definition’s requirement that individuals live with a “serious mental disorder” or a “serious emotional disturbance,” expand this definition to include a broader population, including working families.
- *Technical Assistance* – add information technology programming services to the list of eligible activities.
- *Integration of the Target Population with the General Public* – given the occupancy restriction that no more than 49 percent of the units be for the target population, nothing should preclude the other units from being Permanent Supportive Housing units.
- *Project Financial Feasibility / Underwriting Standards* – expand the eligible Area Median Income (AMI) to encompass units from 10% to 30% AMI. Higher loan limits for 4% tax credit projects should really make up the difference between 9% and 4% tax credit equity yields. If a transition reserve is required, it should be based on the difference between 30% of Social

Security Income (SSI) and Fair Market Rents (FMR), not \$0 cash flow.

- *Project Readiness* – recognize the by-right projects that receive all approvals but may not have evidence of that fact from the local Planning Department.
- *Use of a Coordinated Entry System (CES)* – recognize, but not disadvantage, projects that serve families and Transition-Age Youth (TAY) that may use a different system. Allow more flexibility to capture multiple service providers.
- *Administration* – under the Alternative Process, when a county cannot meet the demonstrated ability requirements, HCD should not penalize the county if it chooses not to contract with the housing authority and instead contract with a city.

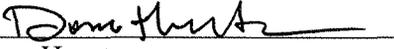
Our Office also requests that the HCD consider that many jurisdictions have local funding sources with strict restrictions and therefore create NPLH Program regulations allowing for the greatest flexibility possible to facilitate the use of local funds in NPLH-funded projects.

PRIOR COUNCIL ACTIONS

On January 26, 2016, Council adopted a Rules, Elections, Intergovernmental Relations, and Neighborhoods Committee report and Resolution relative to establishing the City’s position for support/sponsorship of legislation and/or administrative action to provide additional funds for permanent supportive housing, including the No Place Like Home Initiative (De Leon) which would repurpose Proposition 63 Mental Health Service Act (MHSA) funds for housing, income support and outreach to prevent and address homelessness (C.F. 15-0002-S116). This report’s recommendations would be consistent with Council’s support for programs like No Place Like Home.

FISCAL IMPACT

There is no fiscal impact at this time.


Dora Huerta
Analyst

- Attachments: A. Resolution
B. HCID’s Comments to the *No Place Like Home Proposed Program Framework*

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies, proposed to or pending before a local, state or federal government body or agency, must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the State of California's Department of Housing and Community Development (HCD) released the "*No Place Like Home*" Program (AB 1618) Proposed Framework (Draft Program) delineating the proposed distribution of a \$2 billion investment toward addressing homelessness throughout the State; and

WHEREAS, the funding from the No Place Like Home Program is critical to the City of Los Angeles' efforts in addressing the devastating impacts of homelessness in our communities;

WHEREAS, the City proposes the following comments to the Draft Program:

- *Definition of At-Risk of Chronic Homelessness* – include persons exiting institutional settings including hospitals, but allow for flexibility in qualifying these individuals. This definition should also include Transition-Age Youth who have not had time to become Chronically Homeless.
- *Target Population* – for the homeless definition's requirement that individuals live with a "serious mental disorder" or a "serious emotional disturbance," expand this definition to include a broader population, including working families.
- *Technical Assistance* – add information technology programming services to the list of eligible activities.
- *Integration of the Target Population with the General Public* – given the occupancy restriction that no more than 49 percent of the units be for the target population, nothing should preclude the other units from being Permanent Supportive Housing units.
- *Project Financial Feasibility / Underwriting Standards* – expand the eligible Area Median Income (AMI) to encompass units from 10% to 30% AMI. Higher loan limits for 4% tax credit projects should really make up the difference between 9% and 4% tax credit equity yields. If a transition reserve is required, it should be based on the difference between 30% of Social Security Income (SSI) and Fair Market Rents (FMR), not \$0 cash flow.
- *Project Readiness* – recognize the by-right projects that receive all approvals but may not have evidence of that fact from the local Planning Department.
- *Use of a Coordinated Entry System (CES)* – recognize, but not disadvantage, projects that serve families and Transition-Age Youth (TAY) that may use a different system. Allow more flexibility to capture multiple service providers.
- *Administration* – under the Alternative Process, when a county cannot meet the demonstrated ability requirements, HCD should not penalize the county if it chooses not to contract with the housing authority and instead contract with a city.
- *Flexible Regulations* – create NPLH Program regulations allowing for the greatest flexibility possible to facilitate the use of local funds in NPLH-funded projects.

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by adoption of this Resolution, the City of Los Angeles hereby includes in its 2017-18 State Legislative Program SUPPORT for the Department of Housing and Community Development's (HCD) *No Place Like Home Program (AB 1618) Proposed Program Framework* with the amendments listed above to be submitted to HCD the as the City of Los Angeles comments.



ATTACHMENT B



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

January 26, 2017

California Department of Housing and Community Development (HCD):

Comments on the Draft No Place Like Home (NPLH) Proposed Program Framework

The City of Los Angeles Housing + Community Investment Department (HCIDLA) welcomes the opportunity to provide comments on the December 21, 2016 draft Framework.

The following are comments that reflect recommended changes:

Page 4: Definition of At-Risk of Chronic Homelessness

- The definition of At-Risk of Chronic Homelessness should include persons exiting institutional settings including hospitals. However, requiring documentation for at least three hospital admissions may prove challenging to ascertain for individuals with a diagnosed mental illness. Qualifying these individuals may limit access to housing. Additional flexibility is necessary as this may be a barrier that limits access.
- This definition should also include Transition-Age Youth who have not had time to become Chronically Homeless. These individuals have little or no history of living independently making this group highly at-risk of homelessness once they can no longer receive assistance from the various systems of care.

Page 8: Target Population

- Consider removing the requirement that individuals live with a “serious mental disorder” or a “serious emotional disturbance” from the Homeless category/definition. Working poor populations for whom limited job prospects or minimum wages do not enable sufficient income to pay market-rate rents find themselves living in parks and cars. These individual and families do not fit the stereotyped homeless population. Instead, many of them work and do not suffer from physical or mental health conditions but earn wages at or below 30% of the Area Median Income.

Page 10: Technical Assistance

- Add information technology programming services to the list of eligible Technical Assistance activities. In Los Angeles, the City’s Housing and Community Investment Department (HCIDLA) and the Housing Authority of the County of Los Angeles (HACLA) will be expanding a joint on-line platform to incorporate the No Place Like Home (NPLH) and Community Development Commission funding sources. Additional TA support for this activity would greatly increase funding cooperation.

Page 15: Integration of the Target Population with the General Public

- Although the No Place Like Home (NPLH) program restricts occupancy of its assisted units to 49% of the total. Nothing should preclude the other half of the units from being Permanent Supportive Housing (PSH) units as well.

Page 16: Project Financial Feasibility / Underwriting Standards

- NPLH should expand the eligible AMI to encompass units from 10% to 30% of AMI. In Los Angeles, we have found individuals on Social Security Income (SSI) earn as little as 10% of AMI.
- Higher loan limits for 4% projects should really make up the difference between 9% and 4% LIHTC equity yields. If a transition reserve is required, it should be based on the difference between 30% of SSI and FMR, not \$0 cash flow.

Page 17: The 20-Year Commitment to Provide Supportive Services to NPLH Tenants

- It is not clear how feasible it is for the County to provide a 20 year service commitment, since services are typically provided by non-profits under contracts with much shorter terms. HCD should reconsider the 20-year commitment requirement with more specificity.

Page 20: Project Readiness

- Obtaining all required land use approvals should recognize the by-right projects receive all approvals but may not have evidence of that fact from the local Planning Department.

Page 22: Use of a Coordinated Entry System (CES)

- The guidelines should recognize, and not disadvantage, projects that serve families and Transition-Age Youth (TAY) that may use a different system. More flexibility is needed to capture the multiple service providers.

Page 31: Administration, Key Question

- In an Alternative Program county cannot meet the demonstrated ability requirements, HCD should not penalize the county if they choose not to contract with the housing authority and instead contract with a city.