

AMENDED IN SENATE JUNE 26, 2014

AMENDED IN ASSEMBLY MAY 1, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1929

Introduced by Assembly Member Chau

February 19, 2014

An act to add Section 51312.5 to the Health and Safety Code, relating to mental health.

LEGISLATIVE COUNSEL'S DIGEST

AB 1929, as amended, Chau. California Housing Finance Agency: MHSA funding: special needs housing for person with mental illness.

Existing law, the Mental Health Services Act (hereafter, the MHSA), an initiative measure, was approved by the voters in November 2004 as Proposition 63. The MHSA establishes the Mental Health Oversight and Accountability Commission, and imposes a tax of 1% on incomes above \$1,000,000 for the purpose of financing new or expanded mental health services. Under the MHSA, the State Department of Mental Health is required, among other things, to distribute funds for local assistance for designated mental health programs according to a local plan. Existing law requires the State Department of Health Care Services to implement the mental health services provided under the Adult and Older Adult Mental Health System of Care Act, which provides, among other things, funds for counties to provide mental health services and related supportive housing or housing assistance necessary to stabilize homeless, mentally ill persons or mentally ill persons at risk of being homeless. The MHSA permits amendment by the Legislature by a $\frac{2}{3}$ vote of each house if the amendment is consistent with and furthers the

intent of the MHSA, and also permits the Legislature to clarify procedures and terms of the MHSA by a majority vote.

Existing law establishes the California Housing Finance Fund in the State Treasury, and authorizes the transfer of construction loan funds to the construction lender or to the contractor as necessary to meet draws for progress payments pursuant to rules and regulations of the California Housing Finance Agency. Existing law authorizes the agency to make loans to finance affordable housing, including residential structures, housing developments, multifamily rental housing, special needs housing, as defined, and other forms of housing permitted by provisions regulating housing and community development.

Existing law authorizes the agency to issue revenue bonds, in accordance with specified requirements, for the purpose of financing the acquisition, construction, rehabilitation, refinancing, or development of special needs housing, including, but not limited to, supportive housing intended to benefit persons identified as having special mental health needs, including housing intended to meet the housing needs of persons eligible for mental health services funded in whole or in part under the MHSA. Existing law requires the agency, in consultation with the State Department of Mental Health and the State Department of Housing and Community Development, and other agencies and interested parties, to prepare and present to the Legislature a plan for the development, acquisition, construction, and rehabilitation of supportive housing projects using up to \$75,000,000 annually in funding from the Mental Health Services Act, as provided under the Governor's Executive Order S-07-06. Under existing law, by executive order, the State Department of Mental Health, in consultation with the California Mental Health Directors Association, is directed to allocate up to \$75,000,000 in Mental Health Services Act funds each year to finance the capital costs associated with the development, acquisition, construction, and rehabilitation of permanent supportive housing for individuals with mental illness.

This bill would authorize a county mental health department to deposit with the agency funding received by the county under the MHSA for the development of housing to meet the special housing needs of persons with mental illness. The bill would authorize the agency to receive MHSA funding from a county to finance the acquisition, construction, rehabilitation, refinancing, or development of special needs housing for persons with mental illness. The bill would require the agency to

coordinate with the State Department of Health Care Services to administer the use of these funds.

This bill would declare that it clarifies procedures and terms of the Mental Health Services Act.

This bill would authorize the agency to enter into financial and other agreements with the county, and other agencies as necessary, to commit sufficient county funds derived from the MHSA, including future allocations.

This bill would require the agency to provide technical assistance to a county mental health department as necessary to assist the county in selecting the special needs housing that would best meet the needs of the county’s special needs residents.

The bill would authorize the agency to charge the county a fee, of up to 1% ~~of future allocations of the MHSA loan amount per project~~, unless the county has committed less than \$1,000,000 in which case the agency may charge a fee of up to 1.5% ~~of future allocations of the MHSA loan amount per project~~, to cover the reasonable costs incurred by the agency for providing assistance under these provisions and would authorize payment of these fees from county MHSA funds.

The bill would require the agency to release ~~unexpended unencumbered~~ MHSA housing funding from the initial \$400,000,000 allocation upon the request of the respective county and would require these counties to dedicate these funds, within one year of receipt of the funds from the agency, to providing housing assistance, as defined, to persons with serious mental illness who are homeless, or mentally ill persons who are at risk of being homeless.

The bill would ~~makes~~ make findings and declarations regarding the need to establish a statutory structure to promote and facilitate a process by which county mental health departments are able to more fully utilize the MHSA funds for supportive housing and other housing assistance purposes.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) The Mental Health Services Act (hereafter, the MHSA), an
- 4 initiative measure approved by the voters in November 2004 as

1 Proposition 63, provides funding for local assistance for designated
2 mental health programs.

3 (b) A critical component of the success of community services
4 for persons with mental illness is the availability of supportive
5 housing.

6 (c) It is the intent of the Legislature that the California Housing
7 Finance Agency (CalHFA) continue the MHSA housing program.
8 The State Department of Mental Health, CalHFA, and the County
9 Mental Health Directors Association partnered together to
10 administer a housing program under which \$400,000,000 in MHSA
11 funds were initially made available to finance the capital costs
12 associated with the development, acquisition, construction, or
13 rehabilitation, or all, of permanent supportive housing for
14 individuals with mental illness and their families, including
15 homeless individuals with mental illness and their families.

16 (d) Through Executive Order S-07-06 in 2006, Governor
17 Schwarzenegger directed the creation of the MHSA housing
18 program. The State Department of Mental Health, in consultation
19 with the California Mental Health Directors Association, were
20 directed to allocate up to \$75,000,000 annually in MHSA funding
21 to finance the development, acquisition, construction, or
22 rehabilitation, or all, of 10,000 permanent supportive housing units
23 for individuals with mental illness and their families, especially
24 homeless individuals with mental illness and their families.

25 (e) Senate Bill 257 (Chesbro), Chapter 748 of *the Statutes of*
26 2006, authorized CalHFA to finance permanent supportive housing
27 for individuals with mental illness. Senate Bill 257 also directed
28 CalHFA, in consultation with the State Department of Mental
29 Health and the State Department of Housing and Community
30 Development, and other agencies and parties, to present to the
31 Legislature a plan for the use of MHSA funds for the development
32 of permanent supportive housing.

33 (f) In 2007, county mental health departments agreed to set
34 aside \$400,000,000 of MHSA funds with CalHFA, and allocate
35 these funds to all but the eight least populated counties for the
36 purpose of building permanent supportive housing. Counties were
37 authorized to use \$75,000,000 annually for capital costs and
38 \$40,000,000 annually for operating and maintenance costs. While
39 most counties have already expended their share of these funds,
40 others have not because these counties received small allocations

1 that do not make the construction of housing units feasible.
2 Releasing these funds to their respective counties will enable these
3 counties to better utilize these funds for supportive housing and
4 housing assistance for individuals with serious mental illness, and
5 those homeless individuals with mental illness or mentally ill
6 individuals at risk of being homeless.

7 (g) Counties currently receive a direct allocation of MHSA
8 funds and have the discretion to dedicate additional funds for
9 supportive housing purposes. Some counties have found it
10 beneficial to continue utilizing CalHFA's assistance, given the
11 complexity of developing supportive housing.

12 (h) The purpose of this act is to provide a statutory structure to
13 promote and facilitate this process by authorizing county mental
14 health departments to more fully utilize MHSA funds for housing
15 purposes, including the assistance of CalHFA.

16 SEC. 2. Section 51312.5 is added to the Health and Safety
17 Code, to read:

18 51312.5. (a) A county mental health department may deposit
19 with the agency funding received by the county under the Mental
20 Health Services Act for the development of housing to meet the
21 special housing needs of persons with mental illness.

22 (b) The agency may receive MHSA funding from a county to
23 finance the acquisition, construction, rehabilitation, refinancing,
24 or development of special needs housing for persons with mental
25 illness. The agency shall coordinate with the State Department of
26 Health Care Services to administer the use of these funds.

27 (c) The agency may enter into financial and other agreements
28 with the county, and other agencies as necessary, to commit
29 sufficient county funds derived from the MHSA, including, but
30 not limited to, funds from future allocations.

31 (d) The agency shall provide technical assistance to a county
32 mental health department as necessary to assist the county in
33 selecting the special needs housing that would best meet the needs
34 of the county's residents with mental illness.

35 (e) The agency may charge the county a fee, of up to 1 percent
36 ~~of future allocations~~, *of the MHSA loan amount per project*, to
37 cover the reasonable costs incurred by the agency for providing
38 assistance under this chapter, unless the county has committed
39 fewer than one million dollars (\$1,000,000), in which case the
40 agency may charge the county a fee of up to 1.5 percent ~~of future~~

1 ~~allocations~~: *of the MHSA loan amount per project.* These fees may
 2 be paid from county MHSA funds.

3 (f) The agency shall release ~~unexpended~~ *unencumbered* MHSA
 4 housing funding from the initial four-hundred-million-dollars
 5 (\$400,000,000) allocation upon the request of the respective
 6 county. The county shall dedicate these funds, within one year of
 7 receipt of the funds from the agency, to providing housing
 8 assistance to persons with serious mental illness who are homeless,
 9 or mentally ill persons at risk of being homeless. The county shall
 10 track the expenditure of these funds and report these expenditures
 11 to the agency. For purposes of this subdivision, “housing
 12 assistance” includes, but is not limited to, each of the following:

- 13 (1) Rental assistance or capitalized operating subsidies.
- 14 (2) Housing relocation services.
- 15 (3) Security deposits, utility deposits, or other move-in cost
 16 assistance.
- 17 (4) Utility payments.
- 18 (5) Moving cost assistance.
- 19 (6) Capital funding to build or rehabilitate affordable housing
 20 for homeless, mentally ill persons or mentally ill persons at risk
 21 of being homeless.

22 (g) *This section does not preclude a county from depositing*
 23 *funding from sources other than the funds derived from the MHSA*
 24 *with the agency for the purpose of developing supportive housing*
 25 *for persons with mental illness.*

26 SEC. 3. The Legislature finds and declares that this act clarifies
 27 procedures and terms of the Mental Health Services Act within
 28 the meaning of Section 18 of the Mental Health Services Act.