

AMENDED IN SENATE AUGUST 18, 2014

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~~, 5892.5 to the *Welfare and Institutions 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 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 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 agency, with the concurrence of the State Department of Health Care Services, to release unencumbered Mental Health Services Fund moneys dedicated to the MHSA housing funding from the initial \$400,000,000 allocation program upon the request of the respective county county, and would require these counties to dedicate use these funds, within one year of receipt of the funds from the agency, to providing provide housing assistance, as defined, to identified target populations, including persons with a serious mental illness who are homeless, or mentally ill persons who are at risk of being homeless: disorder.~~

~~The bill would make findings and declarations regarding the need to establish a statutory structure to promote and facilitate a process by which encourage counties, the agency, and the State Department of Health Care Services to continue partnering in the development of supportive housing, and to ensure county mental health departments are able to more fully utilize the MHSA funds for supportive housing and other housing assistance purposes.~~

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

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
5 Proposition 63, provides funding for local assistance for designated
6 mental health programs.

7 (b) A critical component of the success of community services
8 for persons with mental illness is the availability of supportive
9 housing.

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

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

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

37 (f) In 2007, county mental health departments agreed to set
38 aside \$400,000,000 of MHSA funds with CalHFA, and allocate

1 these funds to all but the eight least populated counties for the
2 purpose of building permanent supportive housing. Counties were
3 authorized to use \$75,000,000 annually for capital costs and
4 \$40,000,000 annually for operating and maintenance costs. While
5 most counties have already expended their share of these funds,
6 others have not because these counties received small allocations
7 that do not make the construction of housing units feasible.
8 Releasing these funds to their respective counties will enable these
9 counties to better utilize these funds for supportive housing and
10 housing assistance for individuals with serious mental illness, and
11 those homeless individuals with mental illness or mentally ill
12 individuals at risk of being homeless.

13 (g) Counties currently receive a direct allocation of MHSA
14 funds and have the discretion to dedicate additional funds for
15 supportive housing purposes. Some counties have found it
16 beneficial to continue utilizing CalHFA's assistance, given the
17 complexity of developing supportive housing.

18 (h) The purpose of this act is to ~~provide a statutory structure to~~
19 ~~promote and facilitate this process by authorizing~~ *encourage*
20 *counties, CalHFA, and the State Department of Health Care*
21 *Services to continue partnering in the development of supportive*
22 *housing, and to enable county mental health departments to more*
23 *fully utilize MHSA funds for housing purposes, including the*
24 *assistance of CalHFA. purposes.*

25 ~~SEC. 2. Section 51312.5 is added to the Health and Safety~~
26 ~~Code, to read:~~

27 ~~51312.5. (a) A county mental health department may deposit~~
28 ~~with the agency funding received by the county under the Mental~~
29 ~~Health Services Act for the development of housing to meet the~~
30 ~~special housing needs of persons with mental illness.~~

31 ~~(b) The agency may receive MHSA funding from a county to~~
32 ~~finance the acquisition, construction, rehabilitation, refinancing,~~
33 ~~or development of special needs housing for persons with mental~~
34 ~~illness. The agency shall coordinate with the State Department of~~
35 ~~Health Care Services to administer the use of these funds.~~

36 ~~(c) The agency may enter into financial and other agreements~~
37 ~~with the county, and other agencies as necessary, to commit~~
38 ~~sufficient county funds derived from the MHSA, including, but~~
39 ~~not limited to, funds from future allocations.~~

1 ~~(d) The agency shall provide technical assistance to a county~~
2 ~~mental health department as necessary to assist the county in~~
3 ~~selecting the special needs housing that would best meet the needs~~
4 ~~of the county’s residents with mental illness.~~

5 ~~(e) The agency may charge the county a fee, of up to 1 percent~~
6 ~~of the MHSA loan amount per project, to cover the reasonable~~
7 ~~costs incurred by the agency for providing assistance under this~~
8 ~~chapter, unless the county has committed fewer than one million~~
9 ~~dollars (\$1,000,000), in which case the agency may charge the~~
10 ~~county a fee of up to 1.5 percent of the MHSA loan amount per~~
11 ~~project. These fees may be paid from county MHSA funds.~~

12 ~~(f) The agency shall release unencumbered MHSA housing~~
13 ~~funding from the initial four-hundred-million-dollars~~
14 ~~(\$400,000,000) allocation upon the request of the respective~~
15 ~~county. The county shall dedicate these funds, within one year of~~
16 ~~receipt of the funds from the agency, to providing housing~~
17 ~~assistance to persons with serious mental illness who are homeless,~~
18 ~~or mentally ill persons at risk of being homeless. The county shall~~
19 ~~track the expenditure of these funds and report these expenditures~~
20 ~~to the agency. For purposes of this subdivision, “housing~~
21 ~~assistance” includes, but is not limited to, each of the following:~~

- 22 ~~(1) Rental assistance or capitalized operating subsidies.~~
- 23 ~~(2) Housing relocation services.~~
- 24 ~~(3) Security deposits, utility deposits, or other move-in cost~~
- 25 ~~assistance.~~
- 26 ~~(4) Utility payments.~~
- 27 ~~(5) Moving cost assistance.~~
- 28 ~~(6) Capital funding to build or rehabilitate affordable housing~~
- 29 ~~for homeless, mentally ill persons or mentally ill persons at risk~~
- 30 ~~of being homeless.~~

31 ~~(g) This section does not preclude a county from depositing~~
32 ~~funding from sources other than the funds derived from the MHSA~~
33 ~~with the agency for the purpose of developing supportive housing~~
34 ~~for persons with mental illness.~~

35 *SEC. 2. Section 5892.5 is added to the Welfare and Institutions*
36 *Code, to read:*

37 *5892.5. (a) (1) The California Housing Finance Agency, with*
38 *the concurrence of the State Department of Health Care Services,*
39 *shall release unencumbered Mental Health Services Fund moneys*
40 *dedicated to the Mental Health Services Act Housing Program*

1 upon the written request of the respective county. The county shall
2 use these Mental Health Services Fund moneys released by the
3 agency to provide housing assistance to the target populations
4 who are identified in Section 5600.3.

5 (2) For purposes of this section, “housing assistance” means
6 each of the following:

7 (A) Rental assistance or capitalized operating subsidies.

8 (B) Security deposits, utility deposits, or other move-in cost
9 assistance.

10 (C) Utility payments.

11 (D) Moving cost assistance.

12 (E) Capital funding to build or rehabilitate housing for
13 homeless, mentally ill persons or mentally ill persons who are at
14 risk of being homeless.

15 (b) For purposes of administering those funds released to a
16 respective county pursuant to subdivision (a), the county shall
17 comply with all of the requirements described in the Mental Health
18 Services Act, including, but not limited to, Sections 5664, 5847,
19 subdivision (h) of Section 5892, and 5899.

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