



January 30, 2017

Director Ben Metcalf,
Department of Housing and Community Development
2020 West El Camino Avenue
Sacramento, CA 95833

RE: County Comments on the Department of Housing and Community Development Proposed Program Framework Public Comment Draft for the No Place Like Home Program

Dear Director Metcalf:

The California State Association of Counties (CSAC), the Urban Counties of California (UCC), the California Behavioral Health Directors Association (CBHDA), and the Rural County Representatives of California (RCRC) are respectfully submitting comments on the proposed No Place Like Home (NPLH) Program framework as outlined in the public comment draft released on December 16, 2016.

First, we want to thank you and your staff for working closely with counties on the framing paper and for accepting many of our initial comments and feedback in early December.

There are several issues of which we are very supportive in the framing paper:

- Technical Assistance (TA) Funding. We appreciate the notice that the TA funds will be available immediately, the inclusion in the TA funding for hiring consultants and development or updating a homeless plan, and also support efforts to make the application as streamlined as possible.
- Point in Time (PIT) and Extremely Low Income (ELI). We support using a combination of the U.S. Housing and Urban Development Department's (HUD) PIT data as well as the ELI as factors. The ELI measures the number of households that have a severe rent burden, and using the 30 percent threshold will help to steer appropriate funding to members of the target populations who are also low income. Counties want to ensure that persons living with Serious Mental Illness (SMI) are provided housing through this program, but it is difficult to find a concise data set that adequately captures this population. We believe a combination of the PIT and ELI is the best way to achieve these results and are in support of the proposed formula outlined in the framework.
- Underwriting by HCD. Counties are also in strong support of the clarification in the Framing Paper that HCD will do the majority of the underwriting on projects. This was a significant concern from our technical experts. However, we do have a suggestion on underwriting for the Alternative Counties and for the Over-the-Counter (OTC) program (see below #2).
- Developer is Ultimate Borrower. Counties appreciate the clarification in the Framing Paper that while counties will be the applicant, it is the project sponsor that will be the ultimate borrower on loans made by HCD. There had been some confusion over this issue with our technical experts and we sincerely appreciate the clarification.
- General Flexibility. For the most part, the Framing Paper provides significant flexibility to counties in the various requirements and program design. There are some areas where we do believe additional flexibility is needed (see below).

There remain some important areas of concern that must be addressed to ensure that the guidelines provide the flexibility needed for counties to meet the needs of the target population while also lessening the unintended consequences for the communities we serve. The following is an outline of those issues:

1. Ensuring MHSA Cities are eligible

The Framing Paper does not refer to the cities that currently receive funding under the Mental Health Services Act (MHSA). While not in AB 1618 (Chapter 43, Statutes of 2016), counties specifically asked for amendments

to AB 1628 (Chapter 322, Statutes of 2016), which included statutory provision to ensure that the two cities that receive Mental Health Services Act funding (Berkeley and Tri-Cities) are eligible for NPLH funds. It is critical the Framing Paper include the city entities, as well as restructure the funding allocations to include them. Additionally, explicit language is needed to clarify that counties and cities may *jointly* apply for funding.

2. Underwriting Loans – Requesting Flexibility

The Framing Paper did address one of the significant issues for counties related to underwriting. It makes clear that for the majority of the projects, HCD will be responsible for the underwriting. However, for counties in the Alternate Program and for those counties receiving \$500,000 in the OTC program, counties are responsible for the underwriting. This is a concern for some counties who may not have the resources to undertake this extra responsibility. Therefore, we would request that the guidelines provide the option for counties to contract with HCD for this responsibility.

Further, we ask for consistency throughout the document, as page two states that the \$500,000 counties “may choose to administer these funds” on projects of one to four units. But on page 23, where the acquisition of rental-shared housing is addressed, the paper states that funds will be provided after the property is acquired - but does not reference underwriting.

In addition, we have concerns about the nature of the bond funding provided through the NPLH program. Specifically, it is unclear if the bond funds provided through the competitive and OTC processes will be tax-exempt. There are also questions as to how the funds will be transferred and with what requirements on the recipient.

3. Homeless Definitions and NPLH Target Population

The homeless definitions (“homeless”, “chronically homeless”, and “at risk of chronic homelessness”) used in the Framing Paper appear to be outdated HUD definitions, and in many cases the definitions used in the Framing Paper are not consistent throughout. We would suggest HCD consider utilizing the federal final rule definitions under the HUD HEARTH Act (<https://www.hudexchange.info/homelessness-assistance/hearth-act/>).

Additionally, while it seems clear in the definition of “Target Population” on page eight, it is critical to ensure throughout the document that, in addition to being homeless, NPLH service recipients must also be individuals living with a serious mental disorder or serious emotional disturbance.

Finally, counties are concerned about language in the Framing Paper that prohibits counties from limiting eligibility for NPLH services to county mental health system clients. We recognize the need to have a “no wrong door” approach to identifying people who might qualify for NPLH housing, but the foundation of NPLH housing is the requirement of counties to provide at least 20 years of supportive services, primarily Medicaid county mental health services. Counties may only provide these services to those who are eligible under Medicaid requirements. The NPLH program is designed with that in mind, along with incentivizing the other services and supports that are available only to those who are Medicaid eligible. For these reasons, we do not see a separation between those who would qualify for NPLH housing and those who would qualify for county mental health services.

4. Developer Requirements

The Framing Paper includes a requirement that a developer must have developed at least one Permanent Supportive Housing unit in the last ten years. While this seems flexible, the operating statute merely requires that an applicant have “the capacity to develop, own, and operate a permanent supportive housing development for the target population.” Statute does not specifically reference any unit requirement. Counties believe that the developer experience requirements are too restrictive and it may not be necessary to mention any specific amount of units, but to instead simply look at the developer portfolio to ensure that they have the requisite experience for the project. Additionally, the framework requires the Lead Service Provider and the Property Manager to each have at least three years of experience in serving the target population. Again, this is unduly restrictive and very problematic for the northern part of the state where there may be only one property manager and one developer that can meet these requirements for the entire region. This may make it impossible for the smaller counties to apply for funding. We suggest that the developer and service provider requirements be tied to the size of the project, allowing smaller project to move forward without demonstrated experience.

There is also a requirement that in the county application must include written agreements with the contracted service providers, the project owner, and the property manager. For service providers and the property manager, this is almost impossible to provide at the time of the application, since these facts are generally not known until six months prior completion of the project. We are requesting flexibility with this condition since this is also not statutorily required.

5. Reasonable Outcome Measures

The Framing Paper outlines the outcome measures that should be provided by counties and references information that counties are required to provide under the operating statute. The paper further states that there could be additional outcome measures which are considerably detailed and lengthy. Some of these additional outcome measures will be difficult for counties to provide since they are above and beyond what we currently are required to provide under existing law, and would require additional staff and resources to comply. Instead, we would recommend that counties provide the information required under statute (AB 1618) and the information currently required under the MHSA so that counties are not unduly burdened with additional requirements.

It is also important to point out that one of the threshold requirements is for counties not to limit providing housing to clients of the county mental health system. While we are supportive of ensuring that persons living with SMI and homeless are served, including those coming out of jails and other institutional settings, we are concerned with the requirement that counties provide outcome measures for those outside of the county mental health system. It may be impossible for counties to provide outcome measures for these individuals especially if the county is not the service provider. Therefore, we would recommend that if tenants are not being served by the county, that other service providers would be required to provide the outcome measure data.

6. Supportive Services On-Site Requirement

In the Framing Paper and in the operating statute there is a requirement that supportive services be provided on-site or in a location easily accessible to tenants. However, the Framing Paper goes a step further by stating that additional points will be provided to those projects with on-site services or the availability of 24/7 case management. Counties are concerned that this goes beyond what was agreed upon in AB 1618, which was to require on-site or off-site services as long as they were accessible to the tenants. Many counties will be unable to provide 24/7 services and we believe this will unfairly penalize those counties with limited resources.

From a service provider perspective, supportive service delivery must be flexible, integrated, and *individualized* based upon both local community resources and client needs. Counties should be empowered to determine for each project and each consumer whether on-site or off-site services are appropriate. Finally, requiring all services to be made available on-site stigmatizes mental health consumers by presuming they would be incapable of accessing and utilizing services that are community based; to the contrary, providing access to off-site services can assist consumers in community reintegration.

7. Permanent Foundation Requirement

Eligible housing types set forth in the Framing Paper are structures that meet all the State and local building code, health and safety requirements *and* are on a permanent foundation. We agree that all local laws must be followed, however we are concerned that requiring only permanent foundation structures will unnecessarily limit housing options for counties, especially smaller counties that may need greater flexibility in housing location. Additionally, this is a concern for counties that have little open space in urban areas to build new homes. "Tiny Houses" have grown in popularity around the country and can they be a good option in counties that need flexibility in meeting the needs of the target population.

8. Integration Requirements

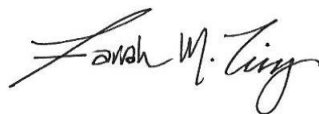
The Framing Paper provides that for projects of more than 20 units underwritten by HCD, funding will be restricted to no more than 49% of a project's total units. While this is a worthy goal, counties believe is too restrictive. Operating statute states that funded developments shall integrate the target population with the general public. However, there is no specific linkage to a required percentage. In addition, we would note that concern has been raised that such a high integration percentage is contrary to the goals of creating a mixed community and could create issues with public opposition. We would recommend that the percentage be lowered, or that the Framing Paper provide more flexibility to ensure that there are not unintended consequences with this requirement, which is not specifically outlined in the operating statute.

We would note that we understand from the Framing Paper that HCD is still working on the Capitalized Operating Subsidy Reserve (COSR) and would like to reserve comments on the next draft to make sure the COSR will be workable for counties.

In closing, we sincerely appreciate the hard work and effort of the HCD staff and their willingness to partner with counties on this important program. Reducing homelessness continues to be one of our top priorities and counties want to continue to work with HCD to ensure this program will provide these needed services in all communities.

If you have any questions please do not hesitate to contact us: Farrah McDaid Ting, CSAC at (916) 650-8110; Jolena Voorhis, UCC at (916) 327-7531; Tracy Rhine, RCRC at (916) 447-4806; and Kirsten Barlow, CBHDA at (916) 556-3477.

Sincerely,



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