



Board Agenda Item 27

DATE: January 10, 2017
TO: Board of Supervisors
SUBMITTED BY: Dawan Utecht, Director, Department of Behavioral Health
SUBJECT: Participation Agreement with California Housing Finance Agency

RECOMMENDED ACTION(S):

Approve and authorize the Chairman to execute a Participation Agreement with the California Housing Finance Agency, for permanent supportive Mental Health Services Act housing funds, to transfer \$6,186,361 plus accrued interest, effective upon execution.

Approval of the recommended action will allow the County to continue its relationship with the California Housing Finance Agency (CalFHA) which serves as a State lender of Mental Health Services Act (MHSA) funds for seriously mentally ill clients and families. CalFHA provides the County with loan development and underwriting of MHSA housing funds. The recommended agreement will allow for the release and transfer of the remaining County MHSA Housing Loan Program (HLP) funds, in addition to any accrued interest received prior to the transfer of these funds held by CalFHA, to the newly-created MHSA Special Needs Housing Program (SNHP). The Participation Agreement contains CalFHA boilerplate evergreen contract language and allows the Department to participate in the SNHP for permanent supportive housing utilizing the remaining MHSA housing funds, with no increase in Net County Cost; however, it can be terminated by either party upon 60 days advanced notice.

ALTERNATIVE ACTION(S):

Non-approval of the recommended action would require CalFHA to return the remaining MHSA permanent supportive housing funds. Non-approval of the Participation Agreement with CalFHA would require the County to seek the assistance of another loan underwriting agency for future loans associated with County MHSA housing. Additionally, non-approval of the recommended action further delays development of permanent supportive housing for clients. The County lacks such expertise and experience in MHSA housing loan development and underwriting, in which CalHFA specializes.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended action. If approved by your Board, the existing \$6,186,361 in MHSA funds, held by CalFHA for the County, would be transferred from the HLP, which ended on May 31, 2016, to the newly created SNHP. There is a one-time 3% (\$185,061) non-refundable participation fee charged to the County by CalFHA to set up the transfer of these funds.

DISCUSSION:

The MHSA HLP launched in 2007 using a one-time \$400 million statewide appropriation that resulted from the passage of Proposition 63 (MHSA) in 2004, it ended in May 2016. Each California County received an appropriation based upon population. Of the \$400 million, the County received \$9,248,900 which was assigned by the Department of Health Care Services (DHCS) to an interest bearing account specifically for construction or

development of new permanent supportive housing units for individuals living in the County with severe mental illness that were homeless or at-risk of being homeless. Your Board approved the County's participation in the MSHA HLP and assignment of funds to the CalHFA on May 6, 2008.

From August 2011 through January 2013, the County, in collaboration with the Fresno Housing Authority (FHA), constructed three MSHA HLP complexes. The FHA provides the property management function at the Renaissance sites and the Department provides onsite supportive services to the tenants. Due to a mixture of funding sources including MSHA and the Federal Housing and Urban Development (HUD), the Renaissance developments created a total of 118 affordable housing units, of which 69 are restricted to DBH clients living with a severe mental illness that were homeless or at-risk of homelessness. The remaining 49 housing units are restricted to tenants of the FHA. The three complexes include:

- Renaissance at Trinity: 20-unit apartment complex located at 524 S. Trinity St., Fresno, opened in August 2011 providing tenancy to 15 DBH tenants and five FHA tenants and,
- Renaissance at Alta Monte: 29-unit apartment complex located at 205 N. Blackstone Ave., Fresno, opened in October 2012 providing tenancy to 29 DBH tenants; and,
- Renaissance at Santa Clara: 69-unit apartment complex located at 503 G St., 512 F St. and 1555 Santa Clara St., Fresno, opened in November 2012 providing tenancy to 44 FHA tenants and 25 DBH tenants

Per MSHA regulation, DBH tenant rent is limited to 30% of a tenant's income. As of August 2016, a total of 136 DBH tenants had resided within the three developments dating back to the opening of the first complex in August of 2011. Since initial lease up, each development has consistently remained at full occupancy. The average DBH tenant length of stay at any of the three developments is between two and three years, with nine DBH clients having tenancy over four years. Of the 68 DBH tenants that have moved out since August of 2011, 75% moved within the first year by utilizing Section 8 housing vouchers, finding other housing opportunities or as a result of eviction due to non-compliance with housing rules and/or regulations.

At the request of a number of counties, CalFHA created the voluntary SNHP on June 1, 2016, which builds upon the successes of the previous HLP. The SNHP offers local governments a more streamlined program with greater flexibility to approve funding for projects that meet specific local housing needs. The SNHP allows local governments to assign MSHA funds to CalHFA to develop new MSHA housing for eligible clients. Your Board's approval of the recommended action authorizes CalFHA to release the remaining HLP funds and transfer those funds to the SNHP.

The Participation Agreement differs from the County's standard indemnification provisions for mutual indemnification in that the Agreement requires the County to hold the State free of indemnification since the Department is the primary service provider. Risk Management has reviewed the indemnification and determined the risk to be acceptable if the Department accepts the associated risks. Further, the Participation Agreement contains CalHFA boilerplate evergreen language in the agreement, but provides the agreement can be terminated by either party upon 60 days advanced notice to terminate.

OTHER REVIEWING AGENCIES:

The Behavioral Health Board was notified of the proposed Participation Agreement with CalHFA at its December 2016 meeting.

REFERENCE MATERIAL:

BAI No. 56, May 6, 2008 - Agreement No. 08-203

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - Participation Agreement with CalHFA and Attachments A-B

CAO ANALYST:

Sonia De La Rosa