

**MOTION BY SUPERVISORS MARK RIDLEY-THOMAS  
AND SHEILA KUEHL**

**January 16, 2018**

**Increasing the Allocation of Funding for Affordable Housing Developments that  
Serve People with Mental Illness**

The demand for more affordable housing, specifically to serve populations with special needs, continues to be a persistent challenge facing the County of Los Angeles (County). The Board of Supervisors has taken numerous steps to promote the supply of affordable housing, including the recent action on October 3, 2017, to direct the Director of the Department of Mental Health (DMH) to identify \$50 million of funding that could be allocated during Fiscal Year 2017-2018 to support the development of affordable housing for individuals with mental illness and their families. At that time, it was envisioned that \$25 million would be allocated through the Community Development Commission’s (CDC) Fall 2017 Notice of Funding Availability (NOFA 23A) and that a subsequent \$25 million would be allocated during CDC’s Winter 2018 Notice of Funding Availability (NOFA 23B).

During an ongoing DMH community collaborative process, stakeholders have continued to support the use of Mental Health Service Act (MHSA) funding for housing. In addition to traditional affordable housing provided through low-income housing tax credits (LIHTC), stakeholders have encouraged DMH and CDC to invest in alternative

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SOLIS \_\_\_\_\_

RIDLEY-THOMAS \_\_\_\_\_

HAHN \_\_\_\_\_

BARGER \_\_\_\_\_

KUEHL \_\_\_\_\_

**MOTION BY SUPERVISORS MARK RIDLEY-THOMAS AND SHIELA KUEHL  
JANUARY 16, 2018  
PAGE 2**

housing models. CDC and DMH share a strong interest in, and commitment to, investments in alternative housing models.

CDC has now completed their review of the NOFA 23A applications and has received a robust request for the MHSA funds. Specifically, 10 developments, which would generate 667 affordable housing units, including 230 units which would house MHSA-eligible clients and their families, were determined to be strong proposals which should be funded if resources were available. The initially conceived allocation of \$25 million for NOFA 23A would allow four of the 10 proposed developments to move forward, creating a total of 336 units, 93 of which would be specifically reserved for MHSA-eligible clients and their families.

An additional \$28 million would be required to fund all 10 developments, which if funded, have a significant likelihood of moving forward into development by 2019. It is anticipated that each project would apply for 4% tax credits in 2018, which are available on a non-competitive basis, as compared to the highly competitive bi-annual solicitation for 9% tax credits. In order to ensure that the County optimizes the development of 667 units of affordable and permanent supportive housing that can be built in an efficient manner, additional available funding should be allocated for these eligible developments. Specifically, \$18.75 million of the remaining \$25 million previously anticipated to be spent in NOFA 23B should be advanced to cover a significant portion of the shortfall, thereby leaving \$6.25 million for the CDC to solicit separately for alternative housing projects later this year. An additional \$9.17 million of Affordable Housing Trust Funds, comprised of approximately \$4.5 million of which remains available from NOFA 23A and \$4.67 million which was anticipated for issuance in NOFA 23B, should also be allocated to allow all of the qualified developments submitted under NOFA 23A to move forward in a timely manner.

It will only be through a sustained, timely and robust commitment of resources that the County can have a meaningful impact on this housing crisis. This investment

**MOTION BY SUPERVISORS MARK RIDLEY-THOMAS AND SHIELA KUEHL  
JANUARY 16, 2018  
PAGE 3**

will facilitate the development of homes for thousands of Angelenos – particularly those dealing with mental illness – that are in need of affordable housing.

**WE THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:**

Direct the Director of the Department of Mental Health, in consultation with County Counsel, to amend the Memorandum of Understanding with the Community Development Commission that governs the use of the Mental Health Service Act (MHSA) Funding for Affordable Housing to authorize the following:

- a) An expenditure of \$43.75 million through the Community Development Commission's Notice of Funding Availability (NOFA) 23A; and
- b) An expenditure of \$6.25 million, administered through the Community Development Commission, to support the development of alternative affordable housing models that are not subsidized with traditional low income housing tax credits.

**WE FURTHER MOVE, ACTING AS THE BOARD OF COMMISSIONERS OF THE LOS ANGELES COUNTY COMMUNITY DEVELOPMENT COMMISSION:**

1. Direct the Acting Executive Director, or designee, in consultation with County Counsel, to amend the Memorandum of Understanding with the Department of Mental Health that governs the use of the MHSA Funding for Affordable Housing to authorize the following:
  - a) An expenditure of \$43.75 million through the Community Development Commission's Notice of Funding Availability (NOFA) 23A; and
  - b) An expenditure of \$6.25 million, administered through the Community Development Commission, to support the development of alternative affordable housing models that are not subsidized with traditional low income housing tax credits;
2. Direct the Acting Executive Director, or designee, to dedicate \$9.17 million of Affordable Housing Trust Funds, anticipated to be allocated during NOFA 23B to

**MOTION BY SUPERVISORS MARK RIDLEY-THOMAS AND SHIELA KUEHL  
JANUARY 16, 2018  
PAGE 4**

instead be allocated to NOFA 23A, in order to fully fund all eligible MHSA proposals;

3. Direct the Acting Executive Director, or designee, to return to the Board of Supervisors to authorize the official funding commitments for all qualifying proposals that sought funding through NOFA 23A; and
4. Direct the Acting Executive Director, or designee, to administer a Notice of Funding Availability in 2018 with the remaining \$6.25 million of MHSA funds to be awarded to alternative affordable housing models that are not subsidized with traditional low income housing tax credits.

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