

Nevada County MHSA Housing Plan

Background

Nevada County's Mental Health Services Act (MHSA) Housing Subcommittee prepared this plan for utilization of the County's \$1.3 allocation of MHSA permanent supportive housing fund, including funds for operating subsidies. (Members of the Housing Subcommittee are listed in Attachment A.) This Plan focuses Nevada County's mental health and community development partners on steps necessary to take advantage of MHSA housing funds to develop affordable permanent supportive housing opportunities for persons with serious mental illness. MHSA funds only permanent housing with no restrictions on length of stay.

As a result of this Plan, an application for MHSA funding for a specific housing development eventually will be submitted to the California Department of Mental Health and the California Housing Finance Agency.

1. Potential Residents in MHSA-Funded Housing

The MHSA target population includes individuals with serious mental illness who are homeless or at risk of homelessness. The target population also includes children or adolescents with severe emotional disorders and their families. The MHSA Housing Program allows counties to focus housing funds on subsets of the MHSA target population, such as Transition Age Youth or older adults. However, for its initial MHSA housing efforts, Nevada County intends to provide housing for anyone in the MHSA target population, with no special occupancy priorities.

2. Priority Geographic Location

Because the greatest number of persons in the MHSA target population are located in the Grass Valley-Nevada City corridor, the priority location for MHSA-funding housing will be in that corridor, including unincorporated areas adjacent to Grass Valley. Locations near bus lines and shopping will be sought.

Persons in the Truckee area would be eligible to live in MHSA housing in the Grass Valley-Nevada City area. Since there are more potential residents now living in the Grass Valley-Nevada City area, the first MHSA housing will be developed in that area. MHSA housing could be developed later in the Truckee area.

3. Housing Unit Types that Best Serve MHSA Target Population

The MHSA Housing Plan includes studio and one bedroom units, as well as larger units to be shared by two or more members of the MHSA Target Population.

Studies show that most persons with mental illness prefer to live alone in their own units. Experience also indicates that often individuals with mental illness are better able to handle their symptoms and manage their illness if they have the privacy, stability, and security of their own unit.

However, single family homes or larger apartments to be shared by "house-mates" who are members of the MHSA target population are also needed. Some individuals do better with a housemate to help them manage symptoms.

4. Nevada County MHSAs Housing Partners

The Mental Health Department must partner with a variety of organizations to implement the MHSAs permanent supportive housing program.

Support Service Providers

Organizations that potentially will provide ongoing support services to residents in MHSAs-funded housing are:

- a. Turning Point Providence Center
- b. EMQ Children and Families First
- c. Victor Residential
- d. SPIRIT Peer Empowerment Center
- e. In Home Support Services
- f. Nevada County Department of Behavioral Health
- g. Charis Youth Center

Housing Development Developer

The MHSAs Housing Program needs an organization experienced in affordable housing development to perform the real estate development tasks. Nevada County Mental Health staff will be closely involved with the MHSAs Housing Program. The County will work closely with the State Department of Mental Health as the County submits an application for MHSAs Housing Funding.

However, successful real estate development needs a project manager to lead and coordinate site acquisition, obtain local land use approvals, obtain funding from various public and private sources, work with the architect and contractor, and comply with funder requirements. The County is also not well equipped to handle the day-to-day ownership and property management responsibilities for MHSAs-funded housing.

Nevada County Mental Health will publish an RFP for a Housing Development Partner. The Housing Development Partner will serve as developer, applicant for funding, and possible owner and manager of MHSAs-funded housing. Any necessary technical assistance for the Housing Development Partner likely could be funded by the Corporation for Supportive Housing through a special set-aside of State MHSAs funds.

Local Government Partners

Depending on the eventual actual location of MHSAs-funded housing units, the Housing Development Partner and the MHSAs Housing Subcommittee will work closely with the Nevada County Community Development Agency, the City of Grass Valley or the City of Nevada City Community Development Department to obtain necessary local land use approvals. Experience indicates that County staff and the Board of Supervisors, as well as Grass Valley and Nevada City staff and Council members will be as supportive as possible.

The MHSAs Housing Subcommittee will also work with Nevada County during their General Plan Update to assure that the revised Plan recognizes the need for housing for persons with disabilities.

Other Community Partners

Partnerships with community groups listed below will be important to a successful MHSA Housing Program. These groups can provide community outreach and public education related to supportive housing and help generate support for the development of MHSA housing.

The MHSA Housing Subcommittee will also reach out to other community partners. Initial contacts with their Boards of Directors, or leadership group, will be made soon to discuss the MHSA Housing Program, listen to their input, and enlist general support. Later, as soon as the Housing Development Partner gains control of a site through a purchase agreement or option, the Subcommittee will go back to these community partners to ask them to activate their networks to support the specific housing proposal.

Anticipated community partners are:

NAMI Nevada County

Nevada County Housing Dev. Corp.

Hospitality House

Sierra Family Services

Community Recovery Resources

FREED Center for Independent Living

MHSA Steering Committee

Family Resource Center of Truckee

Community Collaborative of Tahoe Truckee

Local churches

Inter Agency Council

Board of Realtors

Service Clubs

Common Goals

Mental Health Board

5. Potential Opportunities for MHSA-Funded Housing

Various opportunities for MHSA-funded housing exist in the Grass Valley-Nevada City corridor. Nearly all real estate purchases are opportunity- driven. MHSA housing possibilities analyzed by the Subcommittee are listed in order of likely opportunity and the elapsed time until the housing would be available to members of the MHSA target population. Those that seem more likely to produce housing more quickly are listed first.

a. Purchase Single Family Homes or Foreclosed Properties

In the current housing market multiple opportunities exist to purchase foreclosed properties directly from lenders. Currently the MHSA Housing Subcommittee is aware of several foreclosed single family homes, now owned by lenders who are eager to sell the homes at deeply discounted prices.

b. Purchase of Existing Small Apartment Building

MHSA housing funds, together with other public funding, could be used to purchase and rehabilitate an existing small apartment building in Grass Valley.

Purchase of an existing building likely would make MHSA-funded housing available sooner than a new construction project. However, State law requires that relocation benefits be paid to residents in the building at the time purchase negotiations begin, and such benefits could significantly increase development costs.

c. SPIRIT Peer Empowerment Center Property

SPIRIT Peer Empowerment Center currently leases a building on a large parcel on Old Nevada Highway near the Brunswick off ramp in Grass Valley. If SPIRIT Peer Empowerment Center is eventually able to purchase the property, there is long-term potential for 12-15 apartment units of MHSA-funded housing on a small parcel subdivided from the larger parcel.

d. Other Vacant Land with Multifamily Zoning

Near the center of Grass Valley there are some vacant parcels with multifamily zoning. Although some of the owners of these properties currently may not want to sell their parcels, they are potential sites for small MHSA-funded apartment developments.

6. Funding Sources

a. Site Acquisition and Pre-Construction Expenses

Housing developers need funding for site acquisition and architectural and engineering fees before construction financing is available at start of construction or rehabilitation. If possible, grant funding, rather than interim loan funding, should be used because interim loan interest can significantly add to the development cost, if construction start is delayed. Possible sources of grant funding to acquire a vacant site or an existing building and/or preconstruction expenses include:

- Federal HOME funds allocated by the State Department of Housing and Community Development.
- Federal Community Development Block Grant (CDBG) funds allocated by Nevada County and/or the City of Grass Valley
- Grass Valley Redevelopment Agency Housing Set-Aside funds
- Private donations from individuals or foundations

Sources of site acquisition and preconstruction expense loan funds include:

- California Housing Finance Agency HELP loans to local governments. The local government then loans HELP funds to housing developers.
- Northern California Community Loan Fund
- Low Income Investment Fund
- California Housing Finance Agency

b. Construction and Permanent Funding

Although many housing developers use the sale of tax credits to raise equity funding for apartment projects, it is not practical to use tax credit financing for the very small MHSA projects appropriate for Nevada County.

In addition, bank loans are not feasible for MHSA-funded housing. MHSA-funded residents are extremely low income. The rents MHSA residents can afford do not even cover property operating expenses, let alone debt service. Therefore, these tiny developments need to be built with grant or deferred loan funds.

Sources of **deferred loans and grants** for construction and permanent financing for small housing developments to house persons with disabilities include:

- Mental Health Services Act
- State of California Multifamily Housing Program Supported Housing
- HUD Section 811
- HOME (listed above)
- CDBG (listed above)
- Redevelopment Housing Set-Aside Funds (listed above)

c. Rental Subsidies

- HUD Section 811 construction/permanent development funding includes long-term project-based PRAC (Project Rental Assistance Contract) rental subsidies for all residents. Resident eligibility for PRAC rental subsidies is the same as for Section 8 rental subsidies.
- The MHSA Housing Program includes capitalized operating subsidies which function as rental subsidies. For MHSA-funded housing units, the California Housing Finance Agency will set aside up to \$100,000 per unit for operating subsidies. However, this \$100k/unit must provide rental subsidies for 20 years.