



County of San Diego
Health and Human Services Agency
Behavioral Health Services
Adult / Older Adult Mental Health Services

Mental Health Services Act (MHSA)
Second Annual Housing Plan Update

July 2009

About the Corporation for Supportive Housing

The Corporation for Supportive Housing (CSH) helps communities create permanent supportive housing with services to prevent and end homelessness. As the only national intermediary organization dedicated to supportive housing development, CSH provides a national policy and advocacy voice; develops strategies and partnerships to fund and establish supportive housing projects across the country; and builds a national network for supportive housing developers to share information and resources. CSH is a national organization that delivers its core services primarily through eight geographic hubs: California, Illinois, Michigan, Minnesota, Ohio, New Jersey, New York, and Southern New England (Connecticut, Rhode Island). CSH also operates targeted initiatives in Kentucky, Maine, Oregon, and Washington, and provides limited assistance to many other communities. For more information, visit <http://www.csh.org>.

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Introduction and Purpose of the MHSA Housing Plan Update

In August 2007, San Diego Mental Health Services (SDMHS) published its Mental Health Services Act (MHSA) Housing Plan.¹ This Plan called for the creation of 438 new units of MHSA-dedicated affordable housing for individuals with mental illness over a six year period. The MHSA Housing Plan describes the target population groups to be housed and the strategies to leverage the resources necessary to meet the housing creation goal.

This report is the second annual update of that Plan. The Update summarizes the achievements and challenges of the past year, both in terms of activity on the Plan's priorities and other events that have occurred which change the context for the Plan's implementation. It assesses progress made on the Plans primary goals, compares unit creation activities with those projected by the Plan's original financial model, and recommends specific changes in both the financial modeling and the target production goals as a result of significant changes in the past two years. The Update concludes with the proposed third year Action Plan, laying out the areas of focus for the 2009-2010 implementation year.

The MHSA Housing Plan and this Update were prepared for and reviewed by the San Diego Mental Health Housing Council and reflect the input of clients, family members, developers, service providers and County staff, including cultural competency representation.

Changes in the National, State and Local Context

This Update has been developed during a period of extreme uncertainty in the nation and the state. The national and State economy are in a period of significant upheaval and contraction. Affordable housing development strategies in general, and MHSA funding in particular, are deeply impacted by changes in the economic climate. Specific challenges include:

- **Low Income Housing Tax Credits**, purchased by investors in exchange for tax benefits, are worth far less in the current market than anticipated. This means that developers must seek additional sources of funding to make up the loss of value of the tax credits. Developers must also consider alternate financing scenarios as some projects are having difficulty attracting any investors at all.
- The **State Multi-Family Housing (MHP) program**, including funds dedicated specifically to supportive housing, is expected to be exhausted in 2009.
- The **State Freeze on Bond Financing** has halted many affordable housing projects that were in the development process. While funds are expected to be released

¹ The 2007 Plan and all San Diego MHSA Housing planning documents can be found at <http://sandiego.networkofcare.org/mh/CountyContent/San-Diego/Housing.cfm>.

soon, some projects harmed by the delays may be unable to continue when funding is available again.

- **Mental Health Services Act** funding is anticipated to decline in the coming years with decreasing tax revenue, and non-MHSA mental health funds from the State general fund have already been cut significantly, making planning for services more challenging.
- Due to the general **contraction in lending**, traditional sources of financing such as banks and other lenders have also become much more challenging.

Although key funding has, at least temporarily, become harder to obtain, the recently passed stimulus packages and resources in the federal fiscal year 2009 budget are likely to make new funds for affordable housing development available in the coming year. The following are some new or expanded funding sources that, if leveraged with MHSA funding, may increase the development of MHSA-dedicated housing in the San Diego region:

- The **Neighborhood Stabilization Program (NSP)** provides funding to state and local governments to acquire and redevelop properties that might otherwise become sources of abandonment and blight within their communities. In San Diego, funding is available through the County of San Diego, cities of San Diego and Chula Vista, and through the State of California. This funding presents opportunities for local government and/or organizations to purchase properties, including single-family homes and duplexes, to rent to MHSA clients.
- The recent Federal stimulus package also included measures to help mitigate against the weaknesses in the Low Income Housing Tax credit program. A **Tax Credit Assistance Program** will help provide gap financing and the **Tax Credit Exchange Program** will allow tax credit allocating agencies to swap unused credits for grants.
- The San Diego Housing Commission has received approximately 100 new **Veteran's Affairs Supportive Housing (VASH)** vouchers. These vouchers may present an opportunity to provide housing and services to MHSA clients who are also veterans.
- The **Centre City Development Corporation (CCDC)**, which serves as the redevelopment agency for downtown San Diego, continues to make funds available for new permanent supportive housing. CCDC is looking to expand their supportive housing set-aside requirement from 10% to 15% of units for affordable housing developments that are requesting CCDC funding.

Summary of Achievements: Year Two

The Plan Implementation Chart on pages 7-8 of this Update presents all of the Year Two action steps planned and actions taken since the last update. Highlights of this year's achievements include:

- **Development of MHSA Units.** There are currently seven proposed MHSA projects totaling 134 units in the predevelopment phase of the MHSA pipeline. The seven projects are: Squier Properties' Cedar Gateway; Father Joe's Villages' 15th and Commercial; Townspeople's 34th Street; Affirmed Housing's The Mason; Community Housing Works' Boulevard at North Park; and BRIDGE Housing's 9th and Broadway and Comm 22 projects. A map of the seven projects can be found in Appendix A.

The Cedar Gateway project setting aside 23 units for MHSA Housing has been approved for CalHFA funding in the amount of \$5.052 million. The 34th Street project with five MHSA units and the 15th and Commercial project with 25 MHSA units have been submitted to CalHFA for funding. Five other proposed projects, totaling 81 units, are in various stages of predevelopment. More detailed summaries of the projects can be found in Appendix B.

- **FSP Client Feedback.** In March 2009, SDMHS and the Corporation for Supportive Housing (CSH) conducted five housing focus groups with Full Service Partnership (FSP) clients to document their experiences living in permanent supportive housing. More than 75 MHSA clients attended the focus groups. Feedback included the importance of client choice in housing; necessity of affordable housing so that clients have resources available for essentials such as clothing, food, and transportation; and the importance of high quality property management and supportive services. The feedback will be used to inform technical assistance and training to FSPs in tenant support, fair housing, and coordination between property management and services. A summary of the feedback received appears in Appendix C.
- **Development of Regional Strategy.** SDMHS and CSH continued to reach out to local government agencies to inform them of the MHSA Housing Program and to explore opportunities for leveraging of resources to serve the MHSA population. In addition, they continued to explore new and emerging funding sources such as the Neighborhood Stabilization Program, and worked with local government entities to leverage such resources for MHSA clients

Revised Financial Model and Updated Housing Goals

MHSA Developed Units. The original MHSA Financial Model was completed in August 2007. Since that time, much has occurred in the financial and housing markets. As a result, SDMHS and the Corporation for Supportive Housing have updated the Financial Model. The updated Model, sections of which are found in Appendix D, results in fewer supportive housing units than originally envisioned and relies significantly on non-MHSA operating subsidies to be feasible.

The updated model anticipates the creation of 241 MHSA units over the four year period remaining under the Plan, a reduction of 82 units from the 323 MHSA units anticipated in the original 2007 local MHSA Housing Plan. Factors contributing to the reduction in the number of anticipated MHSA developed units include:

Higher Volume of New Construction: The original financial model assumed that a majority of the MHSA housing projects would be created through acquisition/rehabilitation projects, based on experience to date in San Diego. With CCDC's incentives for supportive housing in the downtown area, including the requirement that new housing development include supportive housing units, there are many more new construction projects that include supportive housing units than anticipated. Of the seven developments in the MHSA predevelopment pipeline, all but one are new construction. The total costs of new developments are greater leading to larger MHSA subsidies and fewer units produced than would be under an acquisition/rehabilitation model.

Availability of Funding Sources: With the weak market for Low Income Housing Tax Credits and limited availability of State and Federal funding for supportive housing development it has become more difficult for developers to identify and secure additional funding sources for capital costs to leverage with the MHSA dollars.

To reach the new target of 241 MHSA housing units, the model relies on a shift of State MHSA Housing Program funds currently allocated to subsidize operations to cover capital costs, and a commitment of approximately 180 Project-Based Section 8 vouchers over a four-year period of time to cover operating costs. Without the commitment of Project-Based Section 8 vouchers and Shelter Plus Care subsidies from local public housing authorities, it is anticipated that only approximately 188 units of MHSA can be developed with the capital and operating resources currently available to developers.

Leased, Partnership and Other Units. In addition to developing new housing with MHSA housing funds, FSP clients will be housed in many other ways. The 2007 MHSA Housing Plan envisioned that 115 units would continue to be leased in the private market at the end of the six-year plan period. Currently there are 232 units that are being leased in the market for FSP clients through MHSA-funded subsidies.

Additional units of housing have also been secured for FSP clients through strategic partnerships in which the FSP provides dedicated support services to tenants and the units

are dedicated for FSP clients. In the first year (as reported in the first update) 69 units were secured as “partnership” units provided through leveraged Shelter Plus Care subsidies funded by the Federal Department of Housing and Urban Development (HUD). Examples of such partnerships include The Association for Community Housing Solutions’ The Cove and Reverend Glen Allison housing developments which utilize Shelter Plus Care subsidies to provide housing to MHSA clients. This year, an additional 25 units have been added as partnership units, bringing the total partnership units to 94. These units are funded through newly secured Shelter Plus Care grants dedicated for FSP clients.

In addition to leasing, development and securing units through partnership, there are many other strategies that FSPs are using to house their clients, including placing clients on waiting lists for the Section 8 Housing Choice Voucher Program. Of the 956 FSP clients, 817 are currently on waiting lists for a voucher and 35 have secured a voucher through this program.

In 2008, State funding for the REACH program was eliminated. Under MHSA regulations, this program is now funded as an additional Full Service Partnership and has been renamed Downtown IMPACT. Downtown IMPACT has approximately 250 clients that are being housed using a variety of strategies. The most significant of these is through 100 dedicated units with project-based Section 8 subsidies. In addition, Downtown Impact has nearly 50 clients in affordable housing or receiving Shelter Plus Care or Section 8 subsidies.

In total, 621 clients are permanently housed through a variety of housing strategies, including MHSA-subsidized housing, Section 8 Tenant-Based and Project Based Program housing, Shelter Plus Care subsidies and other affordable housing opportunities. The remaining 335 clients are living in emergency housing, transitional housing, with family/friends, licensed facilities, on the streets, or temporarily living in an unknown location. The table on the next page provides shows the variety of housing types and locations where FSP clients are currently living.

Table 1: Housing Situation of FSP clients as of May 2009

<i>Permanent Housing</i>	Number	Percent of Total FSP clients
Developed MHSA Units	0	0%
MHSA Leased Units	232	24%
MHSA Partnership Units/Shelter Plus Care	94	10%
Clients with Project-Based Section 8	89	9%
Clients with Tenant-Based Section 8	35	4%
Clients in Other Affordable housing ²	26	3%
Clients without Subsidy	145	15%
Total Clients in Permanent Housing	621	65%
<i>Other Housing</i>		
Clients living w/ Family/Friends	63	7%
Clients living in Emergency Housing	10	1%
Clients living in Transitional Housing	109	11%
Clients living in Licensed Facilities (Board and Care, Long-Term Care Hospital, Assisted Living, etc.)	114	12%
Other (streets, unknown living situation, etc.)	39	4%
Total Clients in Other Housing	335	35%
Total FSP Clients	956	100%

Annual Action Plan: Year Three

The Implementation Chart on pages 7-8 of this Update presents all of the Year Three action steps planned. Highlights of the Plan for 2009-2010 include:

- Implement Regional Strategy.** During the 2009-2010 year, SDMHS will focus on partnering with local housing agencies, including the San Diego Housing Commission and the County Department of Housing and Community Development (HCD), to collectively work towards the development of housing dedicated to MHSA clients. Local housing agencies have a variety of resources that can be further aligned with the County's goal of serving severely mentally ill persons. These resources include the Section 8 Housing Choice Voucher program, Special Purpose Vouchers, and waiting list preferences.

² For these purposes, affordable housing is permanent housing where the rents are subsidized to make them affordable to the tenant.

- **Address FSP Training and Resource Needs.** SDMHS and CSH will work with the FSPs and their clients to provide training and technical assistance so that FSPs are supported in providing quality supportive housing to their clients. Training and technical assistance will focus on such topics as quality supportive housing, fair housing, and the coordination between property management and supportive services.
- **Commit Local MHSA Housing Funds.** SDMHS and the County HCD anticipate to commit local MHSA funds to projects during 2009-2010 Plan year.
- **Implement Revised MHSA Recommendations and Guidelines.** The Recommendations and Guidelines developed for MHSA housing have been updated to reflect input received from FSP clients and the Mental Health Housing Ad Hoc Committee. One of the recommendations is to adopt the new goal of 241 developed units over a four-year period. The updated Recommendations and Guidelines can be found in Appendix E.

As outlined in the original MHSA Housing Plan, this document and its financial models are meant to serve as a living document that is updated annually to reflect progress toward the Plan's goals, and the changing dynamics in the County. To ensure that the document stays relevant and useful, SDMHS and the MHS Housing Council will continue to review and evaluate the MHSA Housing Plan at the end of each fiscal year.

Plan Implementation Summary Chart and New Action Steps

	Plan Goal	Year Two Action Steps FY 07-08	Year Two Actions Taken FY 08-09	Year 3 Actions Planned FY 09-10
1	Implement Recommendations Outlined in Housing Plan	Move 39 units from planning stage into pipeline and cultivate at least 120 more units to seek MHSA funding; implement revised project guidance	<p>Seven projects totaling 134 housing units are in the MHSA pre-development phase. One project with 23 units has been approved for CalHFA MHSA funding. Two additional applications totaling 30 units have been submitted to CalHFA for funding. An additional 8 projects are in the possible project stage. A majority of these projects have not selected a target number of units and/or target population.</p> <p>Local MHSA project guidance was revised and implemented.</p> <p>The Housing Inventory was updated and will be distributed in Year 3.</p>	Submit applications for an additional 111 units to CalHFA for funding. Gain approval for MHSA Housing funding for a majority of these units.
2	Secure Expertise and Administration of Local Housing Funds	Make funding commitments based on NOFA applications; continue to revise documents as needed	<p>Local MHSA NOFA was released on August 13, 2008 and re-released on February 4, 2009 after some modifications were made to the NOFA. To date, no applicants have applied for funding.</p> <p>County MH is working with County HCD to get the funds committed. Projects requesting more than \$104,830 per unit in capital funding from the State MHSA Housing Program will be asked to apply for 50% from County NOFA. Additionally, County MH is exploring leveraging local MHSA and NSP funding for shared housing opportunities.</p>	Commit local MHSA funds to projects during Plan Year 3.
3	Build the Housing Industry in San Diego	Continue to provide one-on-one technical assistance and training.	One-on-one technical assistance provided to 15 potential sponsors; 8 training opportunities provided.	Continue to provide one-on-one technical assistance and training to FSPs, housing entities, and housing developers.

	Plan Goal	Year Two Action Steps FY 07-08	Year Two Actions Taken FY 08-09	Year 3 Actions Planned FY 09-10
4	Coordinate Funding	Continue to coordinate funding through a regional strategy.	Conducted meetings with the cities of San Diego, Chula Vista, and Escondido as well as with Keyser Marston Advising (financial consultants to CCDC) and the City of San Diego Redevelopment Agency. Explored leveraging of NSP funding for shared housing opportunities for MHSA clients. Committee met as needed.	Develop and implement MHSA regional strategy which includes, but is not limited to, special needs set-aside requirement, tenant-based and project-based Section 8 set-asides, homeless preferences, special purpose vouchers, etc. Leverage NSP funding for shared housing opportunities for MHSA clients. Committee will meet as needed.
5	Establish MHSA Housing Project Review Committee	Committee established in first year and functioning under Project Guidelines; activity in this area reported under Action Step number 1 above	Committee met as needed.	Committee will meet as needed.
6	Assist the Siting of projects	Continue one-on-one assistance. One full day training session planned for 2008-2009.	Sponsors assisted on case by case basis to develop siting plans; Debra Stein, GCA Strategies, Inc. conducted trainings on Building Community Support for Supportive Housing projects. Trainings were conducted on January 30, 2009 and May 4, 2009. Debra Stein provided one-on-one assistant to developers as requested.	Continue one-on-one assistance in developing siting plans.
7	Identify Additional Sources	Dedicate \$1 million additional sustainable funds to MHSA Housing (Enhancement #3)	\$1 million additional one-time and ongoing funds were dedicated to MHSA Housing (Enhancement #3).	Ongoing gap of \$1.7 million is filled for FY 09-10 with one-time funding. On-going gap in FY 10-11 is approximately \$1.7 million.
8	Assess Client's Experience of MHSA Housing (Goal added with first update)	Assess MHSA Housing experience of consumers and use to inform further planning	Facilitated five housing focus groups with MHSA clients. Over 75 clients attended the focus groups and provided valuable feedback. A written survey was also distributed to the clients and the results were analyzed and summarized.	Utilize information from focus groups to inform future efforts such as staff training, resource development, etc. Continue to assess MHSA Housing experience of consumers and use to inform further planning.
9	Address Transition Issues (Goal added with first update)	Establish a committee to address transition issues (including the transition from AB2034 REACH program to Downtown Impact II) and the Crosswalk to ensure smooth transition as units come on line	Committee was established and met several times. Discussions at the State and local level are ongoing and will impact MHS' MHSA application and referral process. A draft application and referral process has been completed and continues to be discussed at the local level.	Finalize MHSA application and referral processes. Continue to address transition issues including the goal of leveraging resources to maximize housing opportunities for MHSA clients.

Appendices

- A: MHSA Pipeline Projects Map
- B: Projects Summaries for new projects in development added since last year
- C: FSP Housing Focus Group Report
- D: Financial Model Charts
- E. 2009 MHSA Recommendations and Guidelines

APPENDIX A:

MHSA PIPELINE PROJECTS MAP

MHSA Predevelopment Projects – June 2009



APPENDIX B:

PROJECT SUMMARIES



County of San Diego
HEALTH AND HUMAN SERVICES AGENCY

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September 4, 2008

NOTICE OF INITIATION OF 30-DAY PUBLIC REVIEW PERIOD

RE: Proposed MHSA-Funded "The 34th Street Project" Permanent Supportive Housing

A 30-day public review and comment period is required for the County of San Diego, Behavioral Health Services to submit applications for the State-administered Mental Health Services Act (MHSA) Housing Program. This public review pertains to the specific proposed housing development to provide permanent supportive housing for the County's mental health clients.

Comment on the proposed development attached must be received by the County by the end of the 30th day from the date on this notice to be considered for inclusion in the County's final analysis and certification of the application to the State.

The following attachment and sections of the application are attached for review and comment:

- Attachment I – Development Summary Form
- Section 4.2.1 – Project Overview
- Section 4.2.5 (D.1 through D.5) – MHSA Housing Program Supportive Housing and Services Information

Any comment or question may be directed to Mr. Kevine Ky, Administrative Analyst, at Kevine.Ky@sdcounty.ca.gov.

Sincerely,

ALFREDO AGUIRRE, LOSW
Deputy Director

PIEDAD GARCIA, Ed.D., LCSW
Assistant Deputy Director

Attachments

DEVELOPMENT SUMMARY FORM MHPA Housing Program

Development Information

County Mental Health Department: County of San Diego Mental Health Services

Name of Development: The 34th Street Project

Site Address: 4637 34th Street, San Diego CA (APN: 439-450-37-00)

Development Sponsor: Townspeople

Development Developer: Townspeople

Primary Service Providers: Community Research Foundation

- New Construction
- Acquisition/Rehabilitation of an existing structure

Type of development: Rental Housing Shared Housing

Type of building: Apartment Building Single Family Home
 Condominium Other

Total number of units: 34 units

Total number of MHPA units: 5 units (all one bedroom/one bathroom)

Total cost of the development: \$7,626,264

Amount of MHPA funds requested: \$370,000 (Amount Includes Capital only)

Request MHPA Funds for Capitalized Operating Subsidies (COS): Yes No
Additional amount of up to \$100,000 per unit for COS will be determined by CalHFA.

Other Rental Subsidy sources (list if applicable):

Target Population (please check all that apply):

- Adults (Age 25 to 59 years old)**
- Transition-Age Youth**
- Children**
- Older Adults (Age over 59 years old)**

County Contact

Name and Title: Kevine Ky, Administrative Analyst II

Phone Number: 619-563-2703

Email: Kevine.Ky@sdcounty.ca.gov

County of San Diego
Health and Human Services Agency
Mental Health Services Administration

Section 4.2.1 – Project Overview

The 34th Street Project
San Diego, CA

Residential and Community Building Descriptions

The 34th Street Project is a permanent affordable housing development that will involve acquisition and rehabilitation of a 34-unit building, located at 4637 34th Street, San Diego, CA 92116. The property was built in approximately 1969 and is comprised of 20 650-square-foot one-bedroom, one-bathroom units and 14 900-square-foot two-bedroom, two-bathroom units.

In acquiring this property, Townspeople will make comprehensive improvements that enhance the property's aesthetic and practical value, while preserving the distinctive architectural character of the community. In this project, Townspeople plans to provide:

- Energy Efficiency measures: new windows and energy efficient appliances
- Remodeled Baths and Kitchens
- New wall treatments and floor coverings
- New exterior paint and trim
- Handicap accessibility improvements for 2 units
- New security camera system

The amenities at the project include: gated entry, a courtyard area, 34 parking spaces, and an on-site laundry facility. We have found that a courtyard style building gives supportive housing tenants more of a community feeling, which aids them in giving each other support while they become independent members of the wider community.

The property is situated in the vibrant Normal Heights neighborhood of San Diego, near a main public transportation artery, El Cajon Boulevard. Bus lines with stops within 4 blocks of this property include the No. 1, the No. 11, and the No. 15, so that tenants can easily reach their necessary appointments via public transportation. Normal Heights is located in Central San Diego just minutes from the I-15 and I-805 Freeways and contains several schools, grocery stores, and public parks, giving residents convenient access to their community and regular destinations.

The rents at the project will be affordable based on 30% to 60% of the San Diego Area Median Income (AMI). However, five one-bedroom units will be MHSA-designated for permanent supportive housing at 30% AMI, restricted for a minimum of 20 years.

Tenant Characteristics and Housing and Service Goals of the Development

Twelve one-bedroom units out of the 34 total affordable units will be reserved specifically for HIV/AIDS diagnosed individuals living at or below 30% AMI, who are also homeless or at risk of homelessness, which is the population Townspeople has historically served. Five of these 12 units will also be designated for tenants who meet

MHSA Housing Program requirements. The remaining eight one-bedroom and 14 two-bedroom units, excluding the manager's unit, will be restricted to individuals living at or below 60% AMI. Townspeople will offer leases to the current tenants who meet 60% AMI income requirements, but who are not HIV/AIDS diagnosed. However, as regular tenancy turnover occurs, Townspeople will use its assertive marketing plan to let families with individuals who are HIV/AIDS diagnosed (and meet low-income requirements) know of any rental vacancies at the 34th Street project.

The 34th Street project will be a permanent affordable supportive housing project, similar to the two other projects that Townspeople currently owns and manages. Townspeople plans to partner with the MHS-contracted Full Service Partnership (FSP) provider, Community Research Foundation (CRF), to coordinate supportive services for its MHSA-eligible tenants. The goal will be to work in tandem with CRF to determine each of the five MHSA tenant's service needs and help them connect with these needed services.

Our end goal is to provide voluntary supportive services through engagement and support for all eligible tenants at the project, so that they can live as independently as possible. The first focus will be on meeting our residents' most pressing needs, including shelter, food, healthcare, and then on to other needs such as transportation, laundry service, and employment assistance. We understand that once a tenant's basic needs are met, the chances for success greatly increase and the cycle of homelessness can be broken.

Primary Service Provider

Although supportive services will be voluntary, residents in MHSA-designated units will be assertively and respectfully encouraged to participate. Supportive services will be provided by CRF through existing contracts with the County of San Diego Mental Health Services. CRF will be responsible for providing Assertive Community Treatment (ACT), an evidenced based form of intensive case management that many of the MHSA residents may require. CRF will assign an ACT Team to each enrolled client within the age of 25 to 59 years old. That ACT Team will be responsible for structuring a service plan for each client and monitoring the client's progress. CRF ACT Team will be available on call 24-7.

Development Financing

Financing for The 34th Street Project includes (approximately):

CalHFA Tax-Exempt (30-yr strip)	\$	1,224,451
CalHFA Tax-Exempt (5-yr strip)	\$	155,900
MHP	\$	1,727,483
San Diego Housing Commission	\$	2,040,000
MHSA (Capital Fund)	\$	370,000
AHP	\$	120,000
SHP Capital	\$	400,000
HOPWA	\$	1,200,000
Deferred Developer Fee	\$	388,430
TOTAL:	\$	<u>7,626,264</u>



County of San Diego
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CLINICAL DIRECTOR

January 8, 2009

NOTICE OF INITIATION OF 30-DAY PUBLIC REVIEW PERIOD

**RE: Proposed MHSA-Funded "15th and Commercial Multi-Use Facility"
Development for Permanent Supportive Housing**

A 30-day public review and comment period is required for the County of San Diego, Behavioral Health Services to submit applications for the State-administered Mental Health Services Act (MHSA) Housing Program. This public review pertains to the specific proposed housing development to provide permanent supportive housing for the County's mental health clients.

Comment on the proposed development attached must be received by the County by the end of the 30th day from the date on this notice to be considered for inclusion in the County's final analysis and certification of the application to the State.

The following attachment and sections of the application are attached for review and comment:

- Attachment I – Development Summary Form
- Section 4.2.1 – Project Overview
- Section 4.2.5 (D.1 through D.5) – MHSA Housing Program Supportive Housing and Services Information

Any comment or question may be directed to Mr. Kevine Ky, Administrative Analyst, at Kevine.Ky@sdcounty.ca.gov.

Sincerely,

ALFREDO AGUIRRE, LCSW
Deputy Director

PIEDAD GARCIA, Ed.D., LCSW
Assistant Deputy Director

Attachments

DEVELOPMENT SUMMARY FORM MHA Housing Program

Development Information

County Mental Health Department: County of San Diego Mental Health Services

Name of Development: 15th and Commercial Multi-Use Facility

Site Address: 1501 Imperial Avenue, San Diego, CA 92101 (APN: 535-622-06)

Development Sponsor: S.V.D.P. Management, Inc.

Development Developer: S.V.D.P. Management, Inc. (dba Father Joe's Village)

Primary Service Providers: Heritage Clinic and Mental Health Services, Inc.

Type of development: New Construction
 Acquisition/Rehabilitation of an existing structure
 Rental Housing Shared Housing

Type of building: Apartment Building Single Family Home
 Condominium Other

Total number of units: 65 units

Total number of MHA units: 25 units (Studio with full kitchen and bathroom)

Total cost of the development: \$62,759,598

Amount of MHA funds requested: \$2,797,191 (Amount Includes Capital only)

Request MHA Funds for Capitalized Operating Subsidies (COS): Yes No
Additional amount of up to \$100,000 per unit for COS will be determined by CalHFA.

Other Rental Subsidy sources (list if applicable):

Target Population (please check all that apply):

- Adults (Age 25 to 59 years old)
- Transition-Age Youth
- Children
- Older Adults (Age over 59 years old)

County Contact

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**County of San Diego
Health and Human Services Agency
Mental Health Services Administration**

Section 4.2.1 – Project Overview

**15th and Commercial Multi-Use Facility
San Diego, CA**

Development Description

The 15th and Commercial Project will be a twelve-story multi-use development consisting of a three level child development center (floors 1-3), four levels of transitional housing (floors 4-7), four levels of permanent supportive and permanent affordable housing (floors 8-11), rooftop community space (floor 12), and one level of underground parking. Each use will have a separate entrance, lobby and elevator. The twelve-story poured concrete structure will be designed so that it is architecturally compatible with the adjacent buildings owned by the developer. The project site is within the East Village Neighborhood of Downtown San Diego and existing St. Vincent de Paul Village. The approximately 20,130 square foot site is bound by 15th Street, Commercial Street, 16th Street and the existing Joan Kroc Center.

The permanent housing component on floors 8-11 will consist of 64 studio units plus a one-bedroom manager's unit. Each unit has its own private bathroom and kitchen. Each floor will include its own laundry room, and the four floors total will include over 2,369 square feet of indoor and outdoor community space, including a 913 square foot outdoor terrace on the eighth floor. Floors 10 and 11 will incorporate large community rooms with balconies and full kitchens. Each community room will be equipped to hold scheduled activities and is intended to be used by the residents as an extension of their living space. Three meeting rooms, located on floors 8-10, will be available to the Full Service Partners (FSPs) on a checkout basis, for providing effective on-site support services to the Mental Health Services Act (MHSA) Housing Program tenants at 15th and Commercial.

Housing and Service Goals

The property owner/manager (S.V.D.P. Management, Inc.) will employ an on-site Resident Manager, a property manager, maintenance and security staff. The Resident Manager will meet regularly with the two FSPs, Heritage Clinic and MHS, Inc. to discuss relevant tenant/client issues, overall performance of the supportive housing program, coordination of on-site activities, and other relevant matters.

The housing and supportive services available at the 15th and Commercial Project will meet the critical needs of very low-income persons with serious mental illness. The goal for the 15th and Commercial MHSA Housing Program is to provide safe and affordable housing that is linked to comprehensive services that supports each tenant's self-sufficiency and overall quality of life.

Tenant Characteristics

The tenants at 15th and Commercial will be individuals with annual incomes of 30%-40% of Area Median Income (AMI). Of the 64 permanent housing units 49 will be Permanent Supportive Housing units reserved for individuals whose income does not exceed 30% of AMI and who are homeless or at-risk of homelessness with a special need such as mental illness or HIV/AIDS. Within the 49 permanent supportive housing units, 25 units will be set aside specifically for the individuals eligible for the MHSA Housing Program. The tenants occupying the 25 MHSA Housing Program units will be comprised of a mix of adults ages 25-59 and

older adults ages 60 and over. The MHSA units will be rented on a first come first served basis. It is anticipated that older adults will occupy approximately 13 units and adults will occupy approximately 12 units.

Primary Service Providers

S.V.D.P. Management in conjunction with the San Diego County Department of Mental Health has partnered with two Full Service Partnership agencies to provide wrap-around supportive services to the MHSA Housing Program tenants at 15th and Commercial. Heritage Clinic will be the service provider for the Older Adult population, and Mental Health Systems, Inc. will be the service provider for the Adult population. Heritage Clinic has 28 years experience providing a comprehensive and integrated range of mental health interventions to effectively reduce mental health difficulties and support well-being and independence of older adults. Heritage Clinic will utilize a Full Service Partnership program to provide services to the older adult MHSA Housing tenants at 15th and Commercial. The Full Service Partnership approach delivers a variety of services in a personalized, flexible and contiguous manner. Clinicians work with each client in a judgment-free environment to encourage open communication regardless of the sensitivity of the situation. The role of the Clinician in this “client centered” approach is to assist clients in developing their own plans and skills, and to help them in reviewing their options and the consequences of their decisions and choices. MHS, Inc. has 30 years of experience providing mental health and alcohol rehabilitation services in an innovative and cost effective manner. The MHS, Inc. Center Star program will utilize an Assertive Community Treatment (ACT) Team model to provide wrap-around supportive services to adults at 15th and Commercial. The ACT model is a team-based approach to delivering comprehensive and flexible treatment, support, and services. The ACT Team utilizes a “whatever it takes” approach to address issues such as unemployment, substance abuse, homelessness, and involvement in the criminal justice system.

Other Development Partners

Chelsea Investment Corporation (CIC) serves as the financial consultant and development partner for 15th and Commercial. A San Diego-based for-profit company, CIC has more than 15 years of experience in developing and financing affordable, multi-family housing projects. Chelsea Investment Corporation has developed and financed over 5,100 affordable housing units at a cost of over \$690 million. Included are inclusionary developments, rural developments and special needs housing.

Development Financing

First Five Child Development Center Financing	\$6,968,025
TOD Financing	\$11,550,000
CDBG Financing	\$291,279
MHP Supportive Housing Loan	\$7,000,000
Low Income Housing Tax Credit Investment	\$13,170,730
Land Note	\$6,000,000
AHP Financing	\$1,000,000
MHSA Financing	\$2,797,191
EHAP Funding	\$1,000,000
CCDC Agency Loan	\$6,500,000
San Diego Housing Commission and Father Joe’s Villages Capital Fundraising Campaign	\$6,000,000
Deferred Developer Fee	\$482,373
Total Sources of Funds:	\$62,759,598

APPENDIX C:

FSP HOUSING FOCUS GROUP REPORT

Summary of San Diego FSP Housing Focus Groups

In March 2009, the Corporation for Supportive Housing held five focus groups with housed clients of Full Services Partnership (FSP) in San Diego. The purpose of the groups was to find out about their experience with MHSA supported housing. The groups, target populations and numbers attending included:

Date	Target Population Group	FSP	Number participating
March 9	Transition Age Youth	Providence Community Services	15
March 11	Adults	CRF Impact	21
March 11	Adults	MHS North Star	15
March 12	Adults	MHS Center Star	15
March 12	Older Adults	Heritage Clinic	7

Focus groups participants were asked to respond to a series of six questions and their responses were captured on poster board. Copies of the question set were distributed to each attendee and many also submitted written responses to the questionnaire which were also recorded. Participants were asked about:

- their satisfaction with their current housing;
- whether they had been given a housing choice;
- barriers they had experienced to getting housing;
- services they would like to receive;
- what kind of housing should be created or is preferable; and
- any fears they had about losing their housing.

Summary of Key Findings

Current Housing

- Many clients were satisfied with their housing. Clients who liked their housing reported they liked the location, not having to have roommates or liking their roommate(s), liking the yard or other amenities, liking the services that are offered, and only paying 30% of their income for housing.
- Clients who were dissatisfied with their housing reported being dissatisfied with having to share housing with roommates they did not chose, with the location, cleanliness, safety, restrictive visitor policies, no-pet policies, and with the cost. Some tenants in one older adult housing site were dissatisfied with property management.
- Some of the FSP clients reported that they had not been offered choices in selecting their housing. Several reported they did not know that FSP's provided placement in apartments, single-family homes, scattered-site units, and/or units in mixed (income; household composition) housing.

- The amount of household income being paid by participants for housing varied from program to program and household to household, and some clients expressed concern about paying too much for their housing.
- Respondents expressed a range of concerns about sobriety issues and expectations in housing. Some who sought clean and sober housing said it was not enforced while others wanted more flexible policies or objected to house rules and lease enforcement related to sobriety.

Services Needs

- Clients reported wanting greater support for their mental health issues, expanded employment services, assistance finding and gaining subsidized housing, and help paying for the costs of living (including covering food costs, transportation, clothing and other needs).
- Some clients mentioned wanting continued access to support services and financial support as they recovered or gained income; several expressed concerns that they would lose their housing if they gained income.
- Transition age youth emphasized the need for help with the costs of living, and wanting assistance with benefits advocacy, and access to education and student loans. Older adults specifically mentioned services for isolation and loneliness, veterans services, and relapse prevention.

Preferred housing

- Respondents recommended that housing should be offered in a variety of locations across the County, especially in safe communities; that participants should be able to live without roommates; that housing should be created in smaller developments, and that housing should be integrated and not just for persons with mental illness.
- Transition age youth emphasized that housing should be affordable and near transit and in safe neighborhoods. Older adults also emphasized the need for a range of options close to transportation and services.

Next Steps

Information from the focus groups with clients will be supplemented with information from meetings with FSP staff regarding their concerns and needs related to the provision of housing. From this information, Corporation for Supportive Housing and San Diego Mental Health Services will develop training and technical assistance to support improvement in housing provision. Areas that are anticipated to be covered include:

- Understanding tenant rights and landlord/tenant law
- Housing advocacy/helping clients increase access to subsidized housing
- Coordination between property management and supportive services
- Managing substance use issues in housing
- Tenant organizing and community building

APPENDIX D:

FINANCIAL MODEL CHARTS

Table 1: Production Program Summary

TOTAL NUMBER OF UNITS:	640	TIME FRAME IN YEARS:	4
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Table 2: Overview of Unit Production Plans by Unit Type, Unit Size, and Year

	Unit Production by Year											
	2010		2011			2012			2013		Total by Unit Size	
	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR
Total Units												
Supportive Housing Units:	41	0	94	0	133	0	59	8	327	8		
Affordable Housing Units:	53	19	24	19	162	0	18	10	257	48		
TOTAL UNITS:	94	19	118	19	295	0	77	18	584	56		

Table 3: Financing Commitments Required for the Production of the Units

	Financing Commitments by Year			
	2009	2010	2011	2012
Total Costs				
Capital Financing Commitments:*	\$70,529,356	\$88,661,601	\$30,252,790	\$0
Operating Financing Commitments:	\$1,155,072	\$1,634,304	\$823,296	\$823,296
Services Financing Commitments:**	\$1,138,096	\$2,517,910	\$5,653,716	\$6,639,226
TOTAL FINANCING COMMITMENTS:	\$72,822,524	\$92,813,815	\$36,729,802	\$7,462,522

Note: Expenditures typically occur two budget years after a funding commitment is secured for capital and operating funds and one budget year for services funding, as reflected in Table 4.

*2009 listed capital financing commitments includes \$31,053,058 committed in 2008 and \$39,476,298 committed in 2009.

**Only includes services financing associated with MHSA units.

Table 4: Financing Expenditures Required for the Production of the Units (By Year)

	Financing Expenditures by Year			
	2010	2011	2012	2013
Total Costs				
Capital Financing Expenditures:	\$0	\$70,529,356	\$88,661,601	\$30,252,790
Operating Financing Expenditures:	\$0	\$1,155,072	\$2,789,376	\$3,612,672
Services Financing Expenditures:	\$1,138,096	\$2,517,910	\$5,653,716	\$6,639,226
TOTAL FINANCING EXPENDITURES:	\$1,138,096	\$74,202,338	\$97,104,693	\$40,504,688

San Diego MHSA - Supportive Housing Production Program
Worksheet #2: Targeted Tenancy and Production Strategies

Table 1: Targeted Tenancy by Production Strategy and Unit Size									
Targeted Tenancy	Total PSH Units Needed	Unit Goal	Production Strategy by Unit Size						
			Leased Units			New Construction and Rehabilitation			
			0 BR	3 BR	Total	0 BR	3 BR	Total	
Supportive Housing Units:		335	0	0	0	327	8	335	
Single Individuals:		335	0	0	0	327	8	335	
Single Adults:									
Long Term Homeless:		335	0	0	0	327	8	335	
MHSA	241	241	0	0	0	233	8	241	
Other special needs (non-MHSA)	94	94	0	0	0	94	0	94	
NOT Long Term Homeless:		0	0	0	0	0	0	0	
Population #3		0	0	0	0	0	0	0	
Population #4		0	0	0	0	0	0	0	
Unaccompanied Youth		0	0	0	0	0	0	0	
Families with Children:		0	0	0	0	0	0	0	
Population #1		0	0	0	0	0	0	0	
Population #2		0	0	0	0	0	0	0	
Population #3		0	0	0	0	0	0	0	
Affordable Housing Units:	N/A	305	0	0	0	257	48	305	
Single Adults and/or Youth:	N/A	257	0	0	0	257	0	257	
Families with Children:	N/A	48	0	0	0	0	48	48	
TOTAL UNITS:		640	0	0	0	584	56	640	



San Diego MHSA - Supportive Housing Production Program
Worksheet #4: Capital Sources for New Construction and Rehabilitation Units

Total Number of Units Planned for New Construction or Rehabilitation:	640
Total Development Costs for New Construction and Rehabilitation Units:	\$189,443,747

Table 1: Sources of Capital Financing and Amounts Required for New Construction and Rehabilitation Units

Note: The following information is based upon assumptions regarding the portion of the total development costs that each source will cover based upon the typical structuring of such projects.

Type of Financing / Financing Source	Terms of Financing	Total Amount of Financing	Total Amount Annually
9% Low Income Housing Tax Credits/TCE/TCAP:	Equity	\$51,000,000	\$12,750,000
MHP: General, Supportive, and Youth	3%, 30 Year	\$10,000,000	\$2,500,000
MHSA Housing Program (Cal HFA Administered)	3%, 30 Year	\$28,200,000	\$7,050,000
MHSA Local funds	Grant	\$3,200,000	\$800,000
CCDC	55 Year	\$36,500,000	\$9,125,000
Federal Home Loan Bank (AHP):	Grant	\$3,200,000	\$800,000
HUD McKinney	Grant	\$400,000	\$100,000
HOPWA	Grant	\$1,200,000	\$300,000
NSP	Grant	\$1,050,000	\$262,500
Prop 1C TOD	TBD	\$20,000,000	\$5,000,000
Other Resources	TBD	\$34,693,747	\$8,673,437
TOTAL CAPITAL FINANCING:		\$189,443,747	\$47,360,937
TOTAL DEV COSTS FOR NEW CONSTRUCTION AND REHAB UNITS (FROM WORKSHEET #3):		\$189,443,747	\$47,360,937
GAP IN CAPITAL FINANCING SOURCES:		\$0	\$0

* Note: Additional resources will need to be identified if a gap in the capital financing sources remains.



**San Diego MHSA - Supportive Housing Production Program
Worksheet #6: Operating Subsidy Sources for All Supportive Housing Units**

Total Number of Supportive Housing Units Planned for Production: 335

Table 1: Sources of Operating Subsidies and Amounts Required for All Supportive Housing Units

Note: This Table documents the operating subsidy sources required for the first year that all supportive housing units are online, based upon current Fair Market Rate Rents. It will be necessary to project cost increases for future years of operations.

Sources	Terms	Leased Units						New Construction and Rehabilitation Units						Average Subsidy Per Unit	Total Annual Subsidies for Units (Year 1)
		# of Supportive Housing Units			Fair Market Rent			# of Supportive Housing Units			Fair Market Rent				
		0 BR	3 BR	0 BR	0 BR	3 BR	0 BR	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR		
Project-Based Vouchers:	10 years	0	0	0	\$1,024	\$1,418	50	0	\$1,024	\$1,418	\$1,024	\$1,418	\$12,288	\$614,400	
MHSA	20 years	0	0	0	\$1,024	\$1,418	48	0	\$1,024	\$1,418	\$1,024	\$1,418	\$12,288	\$589,824	
HUD McKinney	5 years	0	0	0	\$1,024	\$1,418	80	0	\$1,024	\$1,418	\$1,024	\$1,418	\$12,288	\$983,040	
TOTALS:		0	0	0			178	0						\$2,187,264	
TOTAL SUBSIDIES NEEDED FOR ALL UNITS FOR YEAR 1 (FROM WORKSHEET #5):															
\$4,116,480															
GAP IN OPERATING SUBSIDIES FOR YEAR 1*:															
\$1,929,216															
GAP IN # VOUCHERS FOR YEAR 1*:															
157															

APPENDIX E:

2009 RECOMMENDATIONS AND GUIDELINES

2009 Updated Recommendations to Develop a Variety of FSP Housing Opportunities

1. FSP clients will choose and direct their housing arrangements.
2. MHSA funds dedicated to housing should be used to leverage funds toward at least 356 new housing opportunities for FSP clients in San Diego County (115 leased and 241 developed through new construction or acquisition/rehabilitation). To ensure long-term affordability, the majority of new housing opportunities should be in permanently affordable sponsor-owned housing projects located throughout the county, including new construction and acquisition / rehabilitation projects. The remaining units may be leased apartments spread throughout the county.
3. MHSA units may be in buildings that are 100% targeted for FSP clients and in mixed population and/or mixed-income buildings serving other target populations. To ensure client choice, SDMHS should seek to achieve a mix of building types.
4. While there is a need for different housing types to provide a continuum of care, the limited resources available for housing under MHSA are dedicated to the creation of permanent housing. The development of new transitional housing is not allowable using local MHSA housing funds.
5. SDMHS, CSH, the San Diego Housing Federation, and the FSP providers will work with affordable housing developers to secure units dedicated to FSP clients in their housing projects.
6. Once all the housing units are created and filled there will still be a need for housing for new clients coming into the FSPs. SDMHS, CSH and FSP providers should work together, consistent with State Department of Mental Health guidelines, to explore graduation/exit strategies for clients ready to leave the intensive services of an FSP to ensure that they are able to retain stable housing while making sure some FSP-dedicated housing can be made available to house new clients.

2009 Updated Housing Project Development Guidelines

For shared and rental housing projects developed using MHSA housing funds, the following guidelines shall apply.

1. SDMHS intends to provide housing that is affordable to the client population served. FSP clients will pay no less than 30% of their income for housing (and no more than 50% of their income).¹
2. FSP clients will live in housing where they have their own bedrooms.
3. Shared housing may be eligible for funding under the condition that clients have their own lockable bedrooms. All shared housing projects will require the review process outlined in 8 below.²
4. While buildings may be of any size, SDMHS must ensure that a variety of projects are developed, that efforts are made to minimize concentration of clients, and that at least some projects funded are mixed population/ mixed-income tenancy and some projects are small in size (25 units or less.) Projects proposed that have more than 25 MHSA units, but the MHSA-dedicated units represent less than 10% of the total development, do not need to go through the Project Exception Committee. If the development has 25 units and it represents more than 10% of the total development, the project shall be evaluated under the process outlined in 8 below.³
5. MHSA-supported housing developments must be located near transportation. In addition, projects should have access to health

¹CSS planning guidelines from the State Department of Mental Health require housing affordability for MHSA clients living in MHSA supportive housing, meaning that each tenant pays no more than 30% to 50% of household income towards rent.

² The Mental Health Housing Ad Hoc Committee recommended removal of language that stated that shared housing for the transition-age youth (TAY) clients was not recommended. The idea of shared housing was discussed at all of the FSP client focus groups that were held in March 2009, including the TAY focus group. The results of the focus groups highlighted the importance of client choice, including both rental and shared housing. Although many clients expressed the desire to have their own apartment, some clients, including some TAY, did express a desire to share an apartment or house with a roommate, granted that they had their own bedroom. All shared housing will still go through the Project Exception Committee for review.

³ The Mental Health Housing Ad Hoc Committee recommended that instead of proposed projects with more than 25 units being evaluated by the Project Exception Committee, it is recommended that if the project has more than 25 MHSA units but they are less than 10% of the total development then the project does not need to go through the Project Exception Committee. This change was in consideration of larger developments where 25 units may represent a small percentage of the total units in a development.

services, groceries and other amenities such as public parks and/libraries.⁴

6. Studio apartments dedicated to individual FSP clients should be designed for unit livability, meaning the space in the unit can accommodate the potential number of occupants and the basic pieces of common furniture necessary for daily activities. Units must at minimum include a bathroom and food preparation area. Studio units less than 350 square feet will be evaluated under the process outlined in 8 below. Rental Single Room Occupancy (SRO) units with shared bathrooms are not desirable and should not be funded.
7. MHSA-supported housing developments should include community space, which may include the following: common meeting spaces, communal kitchens, computer room, and gardens. Dedicated space for services delivery is desirable, particularly in projects with higher numbers of MHSA units, but not required.
8. For any proposed housing project, if guidelines 1 through 7 are not met, the Project Exception Committee of SDMHS staff, CSH, MHS Housing Council members, clients and family members will review the proposed project's design and provide input to the developer and County Mental Health before the project is considered for approval. This committee will review the proposed projects in an expedited process to prevent any delays in funding applications.
9. MHSA Housing projects must involve client representatives and family members in the planning process for all new MHSA projects. The Full Service Partnerships will organize client representatives and family members in a timely manner to provide feedback.⁵
10. MHSA funded units should be retained as dedicated for mental health clients for the maximum time possible, based on other funding requirements and continued need and availability of services. Affordability requirements should be as long as permissible, with a target goal of 55 years if financially feasible.

⁴ At minimum, public transit that comes with reasonable frequency must be accessible within 0.5 mile. It is preferred that, where possible, other services be walkable within 0.5 mile (e.g. not including physical barriers that prevent access by foot or public transit).

⁵ The Mental Health Ad Hoc Committee reinforced the importance of client feedback for all new MHSA housing projects.