

Formatted: Right: 0.8", Top: 0.8"

**Testimony of L. Steven Spears, Acting Executive Director,
California Housing Finance Agency
Before the Assembly Housing and Community Development Committee
Informational Hearing
Subject: Coordinating State and federal resources to address homelessness**

Formatted: Font: 10 pt

Madam Chairwoman, Members: My name is Steve Spears, I am the Acting Executive Director of the California Housing Finance Agency, or CalHFA. Thank you for the opportunity to speak to you again today about some the efforts CalHFA has been involved in to address the issue of homelessness within California.

CalHFA has recognized the importance of this virtually since our creation 35 years ago. For example, we have offered a Special Needs Loan Program which provides amortizing debt for projects that provide 35% to 100% of the units for persons who are disabled and or homeless at 1% to 3% interest rates. The program is combined with Agency construction loans and permanent loans made with tax exempt bond funds, and are typically combined with 4% tax credits. The loans are normally used to capitalize operating subsidy payments from federal sources. This is an "over-the-counter" program, meaning applicants can apply at any time. The source of the funds for the loans is typically tax exempt bond funds, with interest rates subsidized from Federal Financial Adjustment Funds held by the Agency and which have been dedicated to by the Agency to this use. CalHFA worked closely with the California State Department of Housing and Community Development, the California Department of Mental Health, and the California Department of Developmental Disabilities in the administration of this program. The Agency made 30 ~~loans~~ underloans under this program, 20 of which have units available to the homeless. This program has been temporarily suspended until the Agency resumes issuing tax exempt bonds.

As you are also aware, CalHFA is administering the MHSA Housing Program for the California Department of Mental Health (State DMH). We entered into an Interagency Agreement with DMH in June 2008. The program is funded with approximately \$400,000,000 MHSA funds collected from taxpayers under Proposition 63. CalHFA is authorized to use the funds for residual receipts loans, and operating subsidies for projects which set aside units for homeless individuals with serious mental illness. County Mental Health Departments are actively involved in the program, choosing the project and developers to whom loan awards are made. The counties also negotiate a service plan with the project owners, and fund the mental health services needed by the MHSA residents. State DMH reviews the service plan, service budget and staffing plan and approves them. CalHFA underwrites the loan application for financial feasibility and adherence to the MHSA Housing Program term sheet, approves the loan and subsidy amounts, makes the predevelopment and permanent loans, and provides asset management services throughout the term of the loan. The program has been extremely successful in the year and a half since its inception, with 45 applications already approved, which will result in the creation of 2514 new units of housing, of which 745 will be dedicated to the homeless mentally ill.

CalHFA works closely with State DMH in the administration of the program. We also work closely with the California Mental Health Directors Association (CMHDA) and individual county mental health departments on specific loan requests. Additional collaborative relationships have been forged with the California Department of Housing and Community Development and the California Tax Credit Allocation Committee, the California Institute of Mental Health, the Corporation for Supportive Housing, and Housing California, as well as a group of developers and consultants working in the supportive housing area. This group meets monthly by phone with CalHFA, DMH, CMHDA, CIMH, CSH, and Housing California to review the progress of the program.

CalHFA is also serving as consultant to the California Tax Credit Allocation Committee (TCAC) to provide loan underwriting, loan document preparation, and loan disbursement services for approximately 145 projects which received tax credit reservations from TCAC in 2008 and 2009. TCAC is administering \$350,000,000 of Federal American Recovery and Reinvestment Act Funds (ARRA) funds. The ARRA funds will replace investor dollars for these projects. Without the ARRA dollars, the 145 projects would not be built.

Among the ARRA projects are 21 MHSA projects. These projects include 1,559 units, of which 502 are targeted to the homeless mentally ill. The total project cost of these 21 projects is approximately \$726,500,000. According to TCAC, the total number of units in the ARRA program reserved for homeless persons in the 9% Non-Profit Homeless set-aside pool is 1,251. This number does not include 4% TCAC projects, and some of the in the special needs and SRO set asides that we expect will provide housing for the homeless but did not clearly specify the target population in their staff reports. CalHFA works closely with, and takes direction from, the California Tax Credit Allocation Committee on the ARRA projects.

Another effort that I would note is a \$5 million loan that the Agency made to the Corporation for Supportive Housing in 2008 to provide "seed money" for permanent supportive housing for homeless individuals by way of a revolving account. These funds were allocated to two different CSH pools of funds for areas with a high concentration of homelessness. CalHFA's funds were allocated as follows: \$4 million for Los Angeles, and \$1 million for San Diego and San Francisco. The source of the funds was the CalHFA Housing Assistance Trust Fund. CalHFA's rate of return on the \$5 million loan is 2.7%, from which CSH can make predevelopment loans with an interest rate of up to 7.5%. Our loan is unsecured and is not tied to the real estate loans that CSH has/will make. We anticipate that CSH will fully loan out the first disbursement of these funds by February, 2011 with repayment on approximately October 1, 2012. Lenders in the Los Angeles pool include Fannie Mae, US Trust, US Banc, USBC, the Hilton Foundation, CSH National, the Los Angeles Housing Department and CalHFA.

CalHFA has worked closely with the Corporation for Supportive Housing and other public lenders participating in the CSH lender pool.

Those are the most current and significant activities I would highlight for you. Again, I thank you for this opportunity and I am happy to answer any questions you may have.