#### **OC MHSA Guidelines**



# ORANGE COUNTY HEALTH CARE AGENCY/BEHAVIORAL HEALTH SERVICES

# MENTAL HEALTH SERVICES ACT HOUSING PROGRAM

**GUIDELINES FOR APPLICATION** 

FOR FUNDS TO ACQUIRE, CONSTRUCT, AND/OR REHABILITATE PERMANENT SUPPORTIVE HOUSING FOR INDIVIDUALS WITH SERIOUS MENTAL ILLNESS

October 2009

We are pleased to provide the following packet of information for parties interested in applying for funding through the Mental Health Services Act (MHSA) Housing Program. The MHSA Housing Program provides funding for the development of permanent supportive housing for individuals with serious mental illness who are homeless or at-risk of homelessness.

The California Department of Mental Health (State DMH) and the California Housing Finance Agency (CalHFA) have allocated approximately \$33 million dollars to the Orange County Health Care Agency/Behavioral Health Services (HCA) for capital and operating subsidies for the development, acquisition, construction and/or rehabilitation of permanent supportive housing. Proposed supportive housing projects may receive funds from both sources of funding at a cumulative total of up to \$104,830 per unit for capital and up to an additional \$104,000 per unit for operating subsidies for this current year (2009).

This packet provides information to interested parties on this process. To access these state funds, applicants must first submit initial project information to OC Community Services. Both HCA and OC Community Services will work to assist the sponsor in completing an MHSA application. The entire application that is sent to the State by HCA and the sponsor is available at the <a href="State DMH website">State DMH website</a> or <a href="CalHFA's website">CalHFA's website</a>. If you are interested in applying for this funding, please review the following information and follow the submission process as described in the attached information packet.

We are looking forward to the successful implementation of this program in Orange County. Should you have any questions, please contact <a href="mailto:mhsahousing@ochca.com">mhsahousing@ochca.com</a>.

Sincerely,

Mark Refowitz, Director Behavioral Health Services Orange County Health Care Agency

#### **TABLE OF CONTENTS**

Background	2
Eligible Applicants for CalHFA Program	3
Locally Adopted MHSA Housing Plan	3
Submission Process	5
Relationship to OC Community Services	9
Attachment One (1): Orange County MHSA Development Summary Form	11
Attachment Two (2): Contacts for Form Submittal	13
Attachment Three (3): Mental Health Services Act Contact List	14
Attachment Four (4): MHSA Housing Plan Requirements	15
Attachment Five (5): Section D: Roles and Responsibilities	17
Attachment Six (6): CalHFA MSHA term sheet	18

#### Background

The Mental Health Services Act (MHSA) created new funding for mental health services for unserved and underserved persons with serious mental illness. Many unserved and underserved persons with mental illness are homeless or living in unstable or inappropriate housing. Addressing their mental health needs appropriately requires also getting them into stable housing. MHSA funds can be used to create and/or operate supportive housing.

On the state level, the California Department of Mental Health (DMH) and the California Housing Finance Agency (CALHFA) are administering housing funds under the MHSA Housing Program to finance the capital costs of development, acquisition, construction, and/or rehabilitation of permanent supportive housing for individuals with mental illness and their families. The MHSA Housing Program will also make available a specific amount of operating subsidies for those projects that are approved for capital funding.

During the application review and evaluation process, CalHFA will underwrite requests for capital funds and capitalized operating subsidies, while DMH will evaluate each applicant's proposed target population and supportive services plan. Once funds are awarded, CalHFA will oversee all housing and financial aspects of the development and DMH will oversee the provision of services.

Capital funds may be used for either rental housing developments or shared housing developments. For rental housing developments, applicants will also be required to obtain capital funds, and are strongly encouraged to obtain operating funds, from a range of programs administered by other agencies including but not limited to: the State Department of Housing and Community Development; the Tax Credit Allocation Committee; the federal Department of Housing and Urban Development; the OC Community Services for gap financing; and locally administered housing funds. However, for Shared Housing Development, funds from this new program may be used to cover all capital costs up to the funding limits specified in this application.

In order to submit an application for funding to the State, the sponsor must first go through a review process with the Orange County Health Care Agency/Behavioral Health Services (HCA) and OC Community Services (OCCS). When HCA signs off on the application, HCA agrees that the development, if successfully approved, will be appropriate housing for the local client population and that HCA will ensure that appropriate supportive services are provided. These guidelines describe the process for local review prior to submitting the application to the State of California for funding.

The local review process includes the following three (3) steps:

- 1. The review of the MHSA application to ensure it meets the goals and objectives of the Orange County MHSA Housing Plan and is financially feasible.
- 2. The posting of the required noticing and comment period. By signing off on the application, HCA agrees the project meets local MHSA housing goals. In addition, HCA will ensure that appropriate social services are provided and funded.

3. The submission of the MHSA application (if approved by HCA) on behalf of the sponsor to the State DMH and CalHFA for approval.

Note that sponsors may submit requests for waivers of loan terms (and/or program requirements). Requests will be considered on a case-by-case basis by the County.

#### Eligible Applicants for State CalHFA Program

An application for MHSA Housing Program funding may be submitted **only** by HCA. Once an application has been approved at the State level by both the Department of Mental Health (DMH) and the California Housing Finance Agency (CalHFA), the funds are distributed to a qualified borrower in the form of a loan (and in some cases, as capitalized operating subsidies) from CalHFA.

By signing and submitting the application, the County Mental Health Services Director will signify that the HCA:

- Approves the use of a portion of its allotted MHSA Housing Program funds for the supportive housing project described in the application,
- Authorizes State DMH to transfer the corresponding portion of County MHSA funds to CalHFA for administration of the MHSA Housing Program loan,
- Agrees to permit CalHFA to establish the capitalized operating subsidy amount, and
- Commits to providing supportive services to the MHSA tenant population of the project for the full term of the MHSA Housing Program loan.

In addition, the Director will be required to sign Attachment H, County Mental Health Department Sponsorship and Services Verification Form, specifically committing support and services to the development.

#### Locally Adopted MHSA Housing Plan

The Orange County Mental Health Services Act (MHSA) Housing Plan is a plan for expanding housing resources in Orange County to meet the critical needs of persons with mental illness. The Plan will guide the investment of more than \$33 million in MHSA Housing Program funds that are administered by the California Housing Finance Agency. Implementing this plan is expected to lead to the creation of approximately one-hundred and eighty-five (185) units of affordable housing with accompanying supportive services for persons living with mental illness. This plan is the result of a strong collaborative relationship between the Health Care Agency and OC Community Services.

Persons with mental illness who have very low incomes have a very difficult time finding housing in Orange County. During the 05-06 fiscal year Behavioral Health Services

identified that it served as many as 5,861 homeless clients, approximately 17% of its total client population. The cost of housing in Orange County is extremely high. Persons living in Orange County with disabilities would have to pay 142% of their monthly Supplemental Security Income (SSI) income to rent a modest one-bedroom apartment and 126% to rent an efficiency unit.

In interviews and surveys of mental health clients, clients were asked to identify what they wanted from housing. Independence was identified as a top priority along with the freedom to come and go, and privacy. Respondents wanted their own bathroom, kitchen, and their own space, and a majority of clients wanted some services on site. Most clients wanted to be close to grocery shopping and public transportation and to live in a safe location.

Based on the preferences of clients and a financial model that projects the number of units that can be created using available MHSA Housing Funds and leveraging other federal, state and local funds for affordable housing, the County anticipates developing approximately one-hundred and eighty-five (185) units by the year 2012 dedicated for persons with serious mental illness, including housing for transition-age youth, adults, and older adults. These units will primarily be incorporated into larger affordable housing projects, though some may be in rental projects dedicated for mental health clients and in shared housing sites. The anticipated unit mix prioritizes the development of one-bedroom units, with a smaller number of studio units. Guidance for housing developers for required and desirable project features is provided in the Plan and will be further developed in the forthcoming application guidance.

To maximize opportunities for developers of MHSA housing to obtain other needed funding, HCA and OCCS will work with cities in Orange County to prioritize MHSA units or otherwise encourage the use of MHSA funds in projects. The first twenty-four (24) units of housing have been created and are fully occupied, and several other units are in the development pipeline. The County partners will continue to meet periodically through the period of the Plan to review progress towards the development targets.

To view a copy of the Orange County MHSA Housing Plan all documents and links related to the MHSA Housing Program please see

http://ochealthinfo.com/mhsa/housing or

http://egov.ocgov.com/ocgov/Info%20OC/Departments%20&%20Agencies/OC%20Community%20Services or e-mail mhsahousing@ochca.com for a copy.

#### **Submission Process**

The initial step in the Orange County process for developers applying for MHSA funds is to submit one (1) copy of the information listed below to <a href="mailto:mhsa.housing@ochca.com">mhsa.housing@ochca.com</a> AND one (1) copy to <a href="mailto:mhsa.housing@hcs.ocgov.com">mhsa.housing@hcs.ocgov.com</a>. Funding for the \$33 million in State administered MHSA funds is an open application process. Proposals for funding will be considered on a first-come, first-served application basis and applications will be reviewed by HCA and OCCS staff in the order received.

The preliminary information consists of the following items:

- The Development Summary Form (Attachment One)
- A maximum two-page narrative description of the proposed project and the experience of the sponsor

Within fifteen (15) business days of receiving the information, OCCS staff will arrange a meeting between the developer, HCA and OCCS to discuss the project concept. If there is mutual agreement between the developer, HCA, and OCCS that the project could meet the objectives of the MHSA program, the following applies:

- HCA staff will provide to the applicant information on what FSPs would be the most suitable to provide supportive services for the proposed development. Suitability will most likely depend upon geography and target population for the project, as well as the level of unmet housing need of each of the FSPs.
- HCA staff will indicate if the proposal is consistent with the Orange County MHSA Housing Plan Chapter Five Guidelines.
- If there is mutual agreement, HCA and OCCS staff will work cooperatively to assist in the completion of the CalHFA application.
- Both CALHFA and the State Department of Mental Health will review projects recommended to move forward for underwriting review.

In addition to completing the <u>CalHFA application</u> and sending to OCHCA/BHS and OCCS, the applicant must complete the Development Summary Form, which is Attachment I from CalHFA's application. *Please note that this is a different form than the Development Summary Form found in HCA's guidelines for application.* 

The applicant must also complete a narrative Development Description, which is limited to two (2) pages in length. The narrative Development Description must provide a thorough discussion of the development, including, at a minimum, the service goals of the development, characteristics of tenants to be served, the type of housing that will be provided, how the building(s) in which housing and services will be provided (location, building type, layout, features, etc.) will meet the housing and service needs of the tenants, the primary service provider and other development partners, and development financing.

Once the applicant submits the Development Summary Form and Development Description to HCA and OCCS, the following information from the application will be reviewed and posted on the HCA website for thirty (30) days for public comment.

- Development Summary Form;
- Development Description;
- Sections D.1 through D.5 of the <u>CalHFA application</u>.

This notice is not a competitive solicitation offered by the County of Orange or HCA. Acknowledgement and posting of the application is not a guarantee that HCA will support an application for State DMH funding.

Within the same thirty (30) day posting period, HCA and OCCS will do the following:

- Provide input and suggested revisions intended to improve Section D of the Application; and
- Provide technical assistance to complete the full application

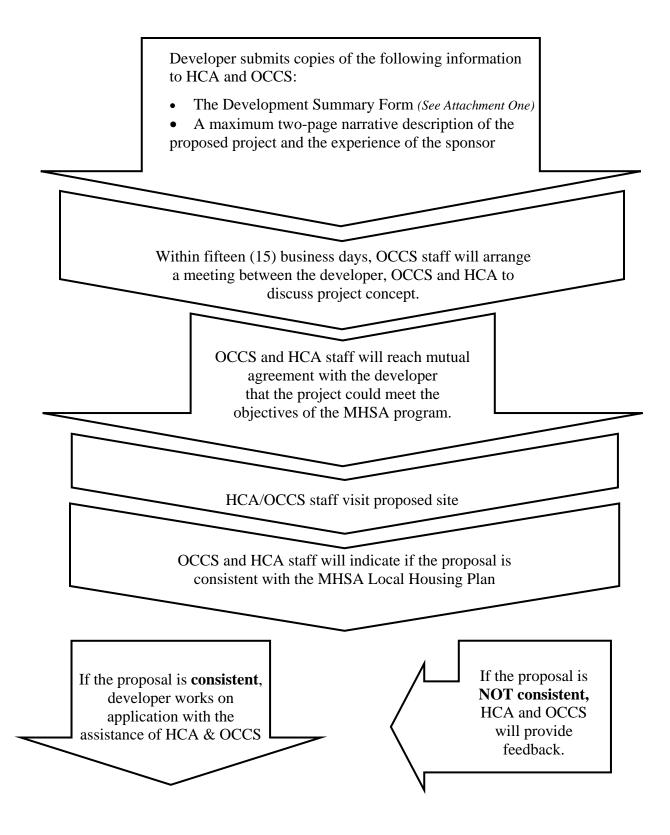
Within a maximum of the thirty (30) day posting period, HCA will either:

- Agree to forward the application to the State of California and sign Attachment H;
   or
- Request that the applicant make certain revisions to the application in order to reconsider the application for submission.

The sponsor must respond to requests for revisions or additional information to be considered for MHSA Housing Program funding. If the sponsor does not respond to requests within thirty (30) days, the application will be considered withdrawn.

Please see the diagram on the following pages, which reviews the application process.

#### **MHSA: Housing Program Application Process**



Continued on next page

#### Developer submits to HCA and OCCS:

- CalHFA Development Summary Form
- Development Description
- Sections D.1 D.5 (see Attachment Six)
- Draft of portions of full application

HCA and OCCS review the application

HCA and OCCS will post required excerpts from state application for thirty (30) day comment period.

Developer/Sponsor works on completing the entire application during this time period.

HCA will respond to any comments.

Applicant will meet with HCA and OCCS staff to discuss to complete application.

Require more revisions

HCA designee will determine if they:

Sign attachments G and H and forward to the State (CalHFA and DMH) along with public comments

#### Relationship to OC Community Services

The Orange County Health Care Agency has a strong collaborative relationship with OC Community Services. With the assistance of the Corporation for Supportive Housing (CSH), staff from both departments met several times during the beginning part of 2009 to review data available on housing needs, to model expenditure plans for the available MHSA funding, and to discuss the balance of requirements, priorities and incentives to be included in guidance for projects seeking local and/or State MHSA housing funds.

To assist in expanding supportive housing opportunities using MHSA resources, Orange County Health Care Agency formed a partnership with OC Community Services (OCCS), the County's housing policy and funding division. Creating successful supportive housing requires knowledge of both the services and housing arena, and housing development and management is an area in which behavioral health departments typically have had limited experience. Housing agencies, on the other hand, typically have limited knowledge about the needs and services available to persons who are mentally ill, and also about the great potential of supportive housing with a focus on wellness and recovery to allow persons with mental illness to live independently. This partnership is designed to bring the knowledge and expertise of both departments together.

Under the partnership, OCCS and HCA utilized \$1,029,600 in one-time funds for the development of twenty-four (24) units in the City of Anaheim. Depending on availability, these funds might also be dedicated to other MHSA approved programs, such as providing housing and development support, predevelopment funding and providing rental assistance. Limited funds may be available for capacity building.

With the availability of funds from the State now through the MHSA Housing Program, HCA and OCCS have worked together on this Plan and to develop a project review process that will bring both of their expertise into the design, funding and monitoring of projects. This relationship is documented by a MOU executed by the two agencies in June 2006.

Funds for the development of MHSA housing may also be available under OCCS' Multi-family Affordable Rental Housing Program Notice of Funding Availability (NOFA). Funds available under OCCS' NOFA typically include Federal Home Investment Partnership Act (HOME) funds and Orange County Development Agency (OCDA) set-aside funds. OCCS' NOFA and the State MHSA Housing Program are operated independently of each other and have separate guidelines and separate applications. Developers requesting funds from both programs must meet the guidelines of both programs and submit both program applications to OCCS. Applications requesting funds from the State MHSA Housing Program will be underwritten by OCCS and reviewed by HCA prior to these applications being submitted to CalHFA for their review

and approval. OCCS administers the review and approval process for applications requesting NOFA funds. Questions regarding the use of both funding sources in the same project can be forwarded to Kevin Fincher at <a href="Mexicology.com">Kevin.Fincher@hcs.ocgov.com</a> or Joanna Chang at <a href="Joanna.Chang@hcs.ocgov.com">Joanna.Chang@hcs.ocgov.com</a>.

# ATTACHMENT ONE (1): ORANGE COUNTY MHSA DEVELOPMENT SUMMARY FORM

Developer:	
Sponsor:	
Name of Project:	
Project Address (including parcel #):	
Status of Site Control:	
Entitlement Status and Time Estimate to complete Entitlements:	
Anticipated Date of Certificate of Occupancy:	
Total number of units and bedroom types:	
Total number of MHSA units and bedroom type:	
Square footage by bedroom of MHSA units: Type of Development:	
☐ Rental   ☐ Shared   ☐ New Construction     Acquisition/Rehab	
Type of Building:	٦
Apartment	J
Proposed Sources of Funds and Amounts:	
SOURCE	AMOUNT
TOTAL	\$ -

Total Cost of MHSA Un	its:		
Amount of MHSA Funds		_	
Requested MHSA funds <b>NO</b>	s for Capitalized Opera	ting Subsidies:	☐YES ☐
Contact Information:	Name		
	Company		
Phone			
Fax			
Email			

Please see Project Requirements in Attachment Four (4) of these Guidelines. A request to waive any of the MHSA project requirements must be submitted with the following information (as an attachment):

- A. The specific project requirement for which the waiver is requested;
- B. The reason for the request (if applicable);
- C. The alternative measures that will be taken if a waiver is granted;
- D. Any other relevant information necessary to properly evaluate the request for the waiver.

#### ATTACHMENT TWO (2): CONTACTS FOR FORM SUBMITTAL

Please submit Attachment One, the development summary form along with a maximum two-page narrative description of the proposed project and the experience of the developer.

#### Submit to:

Judy Iturriaga Service Chief I 405 W. 5<sup>th</sup> Street, Suite 500 Santa Ana, CA 92701 714-796-0200 mhsahousing@ochca.com

#### Submit a copy to:

Kevin E. Fincher Project Manager, Housing Development 1770 North Broadway Santa Ana, CA 92706-2642 714-480-2994 mhsa.housing@hcs.ocgov.com

## ATTACHMENT THREE (3): MENTAL HEALTH SERVICES ACT CONTACT LIST

#### **CalHFA**

Kathy Weremiuk
Program Manager
100 Corporate Point, # 250
Culver City, CA 90230
310-342-1256
kweremiuk@calhfa.ca.gov

Nan Guevara Multi Family Loan Officer P.O. Box 4034 MS 15 Sacramento, CA 95812 916-324-9844 nguevara@calhfa.ca.gov

#### **California State Department of Mental Health**

Jane Laciste Chief, Special Projects 1600 9<sup>th</sup> Street, Room 250 Sacramento, CA 95814 916-654-3529 jane.laciste@dmh.ca.gov

#### **County of Orange Health Care Agency**

Judy Iturriaga Service Chief I 405 W. 5<sup>th</sup> Street, Suite 500 Santa Ana, CA 92701 714-796-0200 mhsahousing@ochca.com

#### **OC Community Services**

Kevin E. Fincher
Project Manager
1770 North Broadway
Santa Ana, CA 92706-2642
714-480-2994
mhsa.housing@hcs.ocgov.com

Joanna Chang
Project Manager
1770 North Broadway
Santa Ana, CA 92706-2642
714-480-2993
Joanna.chang@hcs.ocgov.com

## ATTACHMENT FOUR (4): ORANGE COUNTY MHSA HOUSING PLAN'S HOUSING PROJECT RECOMMENDATIONS AND REQUIREMENTS

The MHSA Housing Plan targets the creation of approximately one-hundred and eighty-five (185) units for transition-age youth, adults and older adults. In order to maximize the dollars available and consumer choice in housing, projects funded will follow a range of models, including projects that will be dedicated specifically to MHSA-eligible persons, units incorporated into larger affordable housing projects, and shared housing.

- Mixed Tenancy Projects: The highest priority of this plan is for the creation
  of mixed tenancy projects, that is projects that integrate MHSA units with
  other affordable housing units. The target percentage of MHSA units to
  total units in any given project is approximately 20%, though set-aside
  units may represent a range. The MHSA Housing program requires a
  minimum of at least 10% of the units, but no fewer than five (5) units per
  development.
- <u>Dedicated Projects</u>: As appropriate and feasible, some projects dedicated for MHSA tenants will also be developed.
- <u>Shared Housing</u>: A small number of shared housing sites will be constructed for each target population (approximately 4-6 houses.)

Based on consumer preferences, a commitment to achieving a fair share distribution of housing, and the need to tap local resources throughout the county to make development feasible, the plan targets the creation of MHSA housing throughout the County.

#### **Project Requirements and Desirable Features**

As needed, the County will be issuing updated guidance for applications for MHSA housing funds. In order to ensure that the projects developed with Orange County MHSA funds meet the needs expressed by consumers, the following requirements will be applicable to projects:

- All units, except for shared housing, must incorporate full kitchens, full baths, and adequate storage and closet space within each apartment.
- Shared housing units must provide lockable bedrooms for each tenant.
   Shared housing projects must demonstrate that kitchen and bath facilities are adequate for the number of tenants, and that bedrooms and shared living areas provide adequate personal space.
- Buildings shall be well designed and well maintained, include on-site laundry services, and have cable access and internet/computer access.

- Projects must be located close to transportation, shopping and services.<sup>1</sup>
- To meet consumer need for safety and security, projects applying for funds will be required to document how they incorporate considerations for the safety of tenants on the property and surrounding neighborhood.
- Buildings will include security design features such as architectural and landscape security design configurations, cameras in common areas. and/or security services.
- Project designs shall be non-institutional in feeling and blend in with the community. Designs shall include a case management office and adequate space for resident activities.
- Services must be available either on or off site.
- Projects should include dedicated services space and community rooms, with kitchens if possible.
- All units should include air conditioning; units for seniors should have microwave ovens.
- At least 5% of units must be accessible to the physically disabled and at least 2% of units must be accessible to the sensory disabled.

In addition, the following recommended amenities or features are encouraged

- Clients prefer to reside in studios or one bedroom apartments.
- There should be both smoking and non-smoking units, as well as furnished and unfurnished apartments available.
- Studio units are encouraged to be at least 450 square feet.

<sup>&</sup>lt;sup>1</sup> 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).

#### **ATTACHMENT FIVE (5): SECTION D: ROLES AND RESPONSIBILITIES**

	Section	Developer	Service Provider	County
D-1	Consistency with Three-Year Plan	X		Х
D-2	Description of Target Population		Х	X
D-3	Tenant Selection Plan	Х		Tenant Referral and Certification Process
D-4	Supportive Services Plan	X	Х	X
D-5	Supportive Services Chart	Х	Х	Х
D-6	Design Considerations	X		X
D-7	Outcome Data			Х
D-8	Outcome Reporting Requirements			Х
D-9	Sponsorship and Services Verification Form			Х
D-10	Applicant Experience Serving Target Population	X		
D-11	Service Provider Experience Serving Target Population	Х	Х	Х
D-12	MOU	Х	Х	Х
D-13	Property Management Plan	Х		
D-14	Property Management Contract	Х		
D-15	Physical Inspection Plans	SHARED HOUSING ONLY		
D-16	Summary and Analysis of Stakeholder Input			Х

#### ATTACHMENT SIX (6): CalHFA MHSA TERM SHEET



# MENTAL HEALTH SERVICES ACT HOUSING PROGRAM TERM SHEET/PROGRAM DESCRIPTION

Program	
Description	The Mental Health Services Act Housing Program (MHSA Housing Program) offers permanent financing and capitalized operating subsidies for the development of permanent supportive housing, including both rental housing and shared housing, to serve persons with serious mental illness who are homeless, or at risk of homelessness (as defined by the MHSA Housing Program), and who otherwise meet the MHSA Housing Program target population description. This program is jointly administered by the California Housing Finance Agency (CalHFA) and the Department of Mental Health (DMH).
Permanent Loans	The MHSA Housing Program will fund one-third of the costs of a Rental Housing Development up to a maximum of \$100,000 per MHSA Housing Program unit ("apartment"), as adjusted annually.
	<ul> <li>The MHSA Housing Program will fund all of the costs of a Shared Housing Development up to \$100,000 per MHSA Housing Program unit ("bedroom") as adjusted annually, provided that each bedroom is restricted for rental to an MHSA eligible resident. Developers will not need to supplement MHSA Housing Program funds with other capital sources in Shared Housing Developments unless the costs exceed \$100,000 per bedroom.</li> </ul>
	The above two amounts will be adjusted each year by a 4.83% inflation factor beginning January 1, 2009.
	Permanent loan proceeds will be available at construction loan closing or permanent loan closing or at acquisition if no rehabilitation or new construction is required.
	<ul> <li>Permanent loan proceeds may be used for allowable costs associated with the acquisition and development of the property, including reimbursing the developer for predevelopment costs and acquisition costs. Permanent loans will be secured against the property and the improvements by a promissory note, a deed of trust and a Regulatory Agreement.</li> </ul>
	Permanent loan limits will be based on the number of units restricted to MHSA eligible residents and not on the total number of units in the proposed development.
	MHSA Housing Program loan funds may trigger prevailing wage requirements. Applicants are advised to consult their attorney on this issue.
Fees, Rates and Terms	Origination Fee: 1% of the MHSA permanent loan amount, which will be due at MHSA Housing Program permanent loan closing, or predevelopment loan closing, whichever occurs sooner.
	A servicing fee of 0.42% of the original principal balance of the permanent loan shall be due and payable annually. This fee shall be paid to CalHFA for administrative services.
	Accrued interest and principal payments will be made on an annual basis from net cash flow (residual receipts).

- All residual receipts payments received by CalHFA will be credited to the development and deposited back into the respective county's sub-account.
- The interest rate on Rental Housing Developments will be fixed at 3% simple interest but may differ if tax credits are involved. When tax credits are involved, interest rates may be set lower than 3%, provided the applicant demonstrates that an interest rate reduction is necessary for tax-related reasons.
- Interest rates on Shared Housing Developments will be fixed at 3% simple interest.
- The loan term for both Rental Housing Developments and Shared Housing Developments shall be 20 years, or longer if required by other funding sources or if tax credits are involved. Upon the request of the developer, the loan term may be extended to up to 55 years. The developer may request an extension of the loan term in its application or at any time prior to final commitment of the loan. The Regulatory Agreement shall be extended to match the longer loan term.
- The payment of unpaid interest and principal will be due and payable upon completion of the loan term.
- If MHSA permanent loan proceeds are disbursed at construction loan closing, no loan interest will accrue during the construction period, but the 0.42% servicing fee will be charged during that time period, and the first two years of servicing fees will be due as a lump sum in advance at the time of construction loan closing.
- If MHSA permanent loan proceeds are not disbursed until construction is complete, one year of the 0.42% servicing fee shall be due as a lump sum, in advance, at permanent loan disbursement.
- The interest owing upon loan maturity will be treated in one of the following ways for rental and shared housing developments.
  - ❖ Accrued interest will be due and payable for a development that has received an allocation of low income housing tax credits.
  - ❖ Accrued interest shall be due and payable for all developments with the following exceptions:
    - The development was used in accordance with the MHSA Housing Program regulations and the Regulatory Agreement throughout the term of the loan, and the terms of the loan and the Regulatory Agreement are extended for a term acceptable to CalHFA.
    - The development is sold at loan maturity and CalHFA determines that the sale proceeds are invested in another property that has like use, has a like number of MHSA units, is encumbered by a Regulatory Agreement, and is secured by a new note and deed of trust in an amount equal to or greater than the original MHSA Housing Program permanent loan.
- If applicable, the loan term for Rental Housing Developments with HUD 811 loans shall be consistent with HUD requirements.

#### Approved Both Rental Housing Developments and Shared Housing Developments are **Housing Types** permitted as defined below. Master leasing is not allowed. **Shared Housing** A Shared Housing Development is a residential building that contains one or **Developments** more traditional residences. All bedrooms in a Shared Housing Development shall be occupied by an MHSA eligible resident. For purposes of the MHSA Housing Program, a bedroom in a Shared Housing Development is a unit. Each residential housing unit funded by the MHSA Housing Program must be occupied by an MHSA eligible resident, as determined by DMH and the sponsoring county mental health department. All residences in a Shared Housing Development shall be rented to and shared by two or more unrelated adults, each of whom is a member of the MHSA Housing Program eligible residents. While this program is intended primarily for unrelated adult house-mates, nothing in this definition excludes the spouse, adult partner, and/or child of an MHSA eligible resident from sharing the bedroom of the eligible resident, up to housing occupancy limits. To qualify for funding, a Shared Housing Development must provide a lease and a separate lockable bedroom for each MHSA eligible resident; the MHSA eligible resident must be responsible for paying rent; and all bedrooms in each residence must be occupied by an MHSA eligible resident. Each Shared Housing residence must also contain a living area, a kitchen and full bathroom. Kitchens and living rooms need to be appropriately sized to accommodate the number of residents in each residence. Each residence with three bedrooms shall contain a minimum of a bathroom and a half-bath. Residences with four or five bedrooms shall contain two full bathrooms. A bathroom shall consist of a toilet, sink and shower and/or bathtub. A half-bath shall consist of a toilet and a sink. The maximum number of bedrooms per Shared Housing residence is five. A Shared Housing Development may consist of a 2- to 4-unit building, provided that all units (bedrooms) in the building are targeted for use as Shared Housing. Single-family homes, condominiums, and half-plexes may also qualify as a Shared Housing Development provided that they have a minimum of two bedrooms. Shared Housing Developments cannot be located in Rental Housing Developments. **Rental Housing** A Rental Housing Development is an apartment building or buildings with no **Developments** less than five residential units restricted for rental to MHSA eligible residents. In buildings with 5 to 100 units, at least 10% of the units, but no fewer that 5

- units per development, shall be set aside for MHSA eligible residents. In buildings with more than 100 units, a minimum of 10 units must be set aside for MHSA eligible residents.
- Each MHSA Housing Program unit in a Rental Housing Development must have a lease signed by all adult members of the household. The lease must contain language that the unit must be occupied by an MHSA eligible resident.
- Each MHSA Housing Program unit must be occupied by an MHSA eligible resident, as determined by DMH and the sponsoring county mental health department.
- Rental Housing Developments may include both general occupancy buildings and special occupancy buildings. Special occupancy buildings include both senior housing and housing for homeless youth, as defined by California statute.
- All units in a Rental housing Development shall include, at a minimum, a living area, a sleeping area, a kitchen area and a bathroom. The kitchen area shall at a minimum consist of a sink, refrigerator, cupboard space, counter area, microwave or oven, and a two-burner stove or built-in cook top.
- Each unit with three bedrooms shall contain a bathroom and a half-bath.
   Units with four or more bedrooms shall contain two full bathrooms. A bathroom shall consist of a toilet, sink and shower and/or bathtub. A half-bath shall consist of a toilet and a sink.
- All Rental Housing Developments will be required to have adequate space for supportive services staff and service programs. Exceptions may be made for existing buildings where this requirement is not feasible.
- One unit may be made available for a manager's unit.
- If there are other household members occupying the unit who are not MHSA eligible residents, and the eligible resident no longer resides in the unit, regardless of the reason, the other household members may continue to occupy the unit if the Rental Housing Development is a mixed-population development and the housing provider is able to supply a newly vacant non-MHSA Housing Program unit in the same development to an MHSA eligible resident. If the development is a single-population development, or if no non-MHSA Housing Program vacant units are available, the other household members may continue to occupy the unit for a grace period of 90 days. Capitalized operating subsidies, (if applicable to the development), will continue through the end of the grace period. During this grace period, the housing provider will work with the remaining household members to find alternate housing accommodations. If the remaining household members do not find alternate accommodations within the grace period, the Borrower shall start eviction proceedings. [This policy is similar to that of HUD's Housing Opportunities for Persons with AIDS (HOPWA) program requirements.]

#### **Applicants**

 Applications shall be submitted to DMH and CalHFA via county mental health departments, which shall apply for funding in conjunction with and on behalf of a qualified developer/borrower.

- The submission by the county mental health department will signify the county's approval of all of the following;
  - The capital funding request for the development,
  - The capitalized operating subsidy funding request for the development, (if applicable),
  - ❖ A commitment by the county mental health department to provide funding for supportive services for the residents of the development who are MHSA eligible residents for the term of the MHSA Housing Program loan, and
  - Other items, to be determined, as required by DMH.

#### Qualified Developers and Borrowers

- Qualified developers include:
  - Developers with a track record of successful affordable housing development and a history of serving the target population,
  - ❖ Developers with a track record of successful affordable housing development but with no history of serving the target population, but with a strong contract or Memorandum of Understanding with a qualified service provider and property manager, and the assistance of qualified consultants with a history of successfully working with developers to house the target population,
  - ❖ A qualified supportive services provider with a joint venture developer partner with a history of successful affordable housing development, who has entered into a strong contract or Memorandum of Understanding with a qualified property manager, and has the assistance of qualified consultants who have a history of successfully working with similar joint venture partners to house the target population,
  - ❖ A qualified supportive services provider with a qualified development team that has a history of successful affordable housing development and that has entered into a contract or Memorandum of Understanding (acceptable to CalHFA) with a qualified property manager,
  - ❖ An affiliate of the local redevelopment agency, an affiliate of the local housing authority created to hold MHSA Housing Properties or other appropriate agency of the county created to hold properties financed by the Mental Health Services Act, with a staff or development team with a strong track record of successful development of affordable housing, and a history of working with the target population, or
  - An appropriate agency of the county.
- The developer and its affiliate organizations will be evaluated both for their ability to successfully develop and manage the real estate component of the development, and for their ability to partner with a lead service provider or service providers to deliver high-quality services to the target population.
- The borrower must be legally organized as one of the following:

- ❖ A limited partnership (LP). The managing general partner of the LP must be a 501(c)(3) corporation or a limited liability company (LLC) whose sole member or members are 501(c)(3) corporations;
- ❖ A 501(c)(3) corporation;
- ❖ An LLC whose sole member or members are 501(c)(3) corporations;
- ❖ An affiliate of a local redevelopment agency;
- An affiliate of the county created to hold properties financed with MHSA Housing Program funding; or
- An affiliate of a local housing authority created to hold MHSA Housing Program properties.
- The borrower also must be organized as either
  - ❖ A single asset entity (in the case of a LP or LLC), or
  - ❖ A separate legal entity that only holds properties that have MHSA Housing Program funding, as appropriate.

#### MHSA Loan Allocations Per County

- Each county will have MHSA Housing Program capital and capitalized operating subsidy funds allocated to them by DMH. The permanent (capital) loans and capitalized operating subsidy awards made under the MHSA Housing Program in a given county will be limited to the funds available to each county under the DMH allocation formula, plus any interest earned on the county-specific funds while they are being held by CalHFA.
- Initially, \$400 million will be available to counties for this program.
- Nothing shall prohibit county mental health departments from utilizing other available funds for this program to supplement their MHSA Housing Program allocations.

#### **Small Counties**

- Eight percent of the total funds allocated to the MHSA Housing Program by DMH will be allocated for small county applications under this program. The MHSA funds set aside for small counties are currently estimated to be approximately \$32 million of the available \$400 million initial allocation.
- To be identified as "small," the county must have 200,000 or fewer residents in accordance with MHSA requirements, based on the most recent census.
- The application process will be the same for large and small counties. However, CalHFA may waive some of the program requirements for small county applications. Requests for waivers will be reviewed on a case-by-case basis.
- County specific funds may be combined by small counties to create developments that serve regional needs.
- While it is anticipated that the MHSA Housing Program is sufficiently flexible to meet the needs of small counties, alternate program provisions may be developed if they are needed to address the unique needs of small counties.

#### Allowable Non-MHSA Funding Sources

- The MHSA Housing Program will fund one-third of the costs of the MHSA Housing Program units in a Rental Housing Development up to a maximum of \$100,000 per MHSA Housing Program unit. Two thirds of the costs must come from other sources.
- The applicant must provide 100% of the capital costs of the non-MHSA Housing Program units from other sources.
- 100% of the capital costs of Shared Housing Developments up to \$100,000 per bedroom will be provided by this program, provided that each bedroom is occupied by an MHSA eligible resident.
- Capital costs above the MHSA Housing Program funding limits for Rental Housing Developments and Shared Housing Developments may be obtained from grants, tax credits, other deferred, forgivable or residual receipts loans from governmental and private loan sources, and other county mental health funds.
- MHSA Capitalized Operating Subsidy Reserve (COS) funds may not be used to make amortized debt service payments, or residual receipts payments. However COS may be used to make the 0.42% required annual debt service payment for HCD MHP loans, provided that the payment is in proportion to the number of units in the Development which receive COS funds.
- Fully amortizing loans will be allowed for those Rental Housing Developments or Shared Housing Developments that do not receive capitalized operating subsidies from the MHSA Housing Program, provided they have other rental subsidies that are high enough to support the debt.
- Fully amortizing loans will be allowed for Rental Housing Developments that receive MHSA Housing Program capitalized operating subsidies if all of the following conditions are met:
  - Rents on the non-MHSA Housing Program units are high enough to fully support amortizing debt, and
  - Annual operating budgets and annual audits are bifurcated sufficiently to ensure that the amortizing debt payments are not being paid from MHSA Housing Program units subsidized with capitalized operating subsidy reserves.
- Developers are advised to consult their attorneys regarding potential legal conflicts between different housing funding sources.

# Subordinate Financing

- Subordinate loans or grants are encouraged from local government and third parties to achieve project feasibility.
- The MHSA Housing Program Regulatory Agreement and Loan Documents may be subordinate to conventional construction loan documents, fully amortizing permanent loans, and HUD 811 Use Agreements and loan documents. Subordination to other HUD documents may be considered on a case-by-case basis
- The MHSA Housing Program permanent loan may be subordinate, upon CalHFA approval, to other residual receipts/deferred permanent loans from

- federal and local sources, provided that those loans are twice the amount of the MHSA Housing Program permanent loan or larger.
- All other loan documents, loans, leases, recorded use agreements, and recorded grant agreements must be subordinate to the MHSA Housing Program permanent loan documents and Regulatory Agreements.
- When loans are provided by both HCD and the MHSA Housing Program, the HCD Regulatory Agreement may be recorded after the MHSA Housing Program Regulatory Agreement and prior to the MHSA Housing Program permanent loan documents.
- The HCD/MHP housing program and the MHSA Housing Program may enter into a "risk-sharing agreement" regarding the pro rata disposition of assets upon foreclosure.

# Rent and Occupancy Requirements

- All MHSA Housing Program units must be targeted for occupancy by at least one MHSA eligible resident. An eligible household is a household that has at least one MHSA eligible resident
- Rents in MHSA Housing Program units in both Rental Housing Developments and Shared Housing Developments must be restricted to 30% of 50% or less of the area median income (as adjusted by household size).
- For units with MHSA Housing Program capitalized operating subsidy reserves, the tenant portion of the rent must be set at 30% of the current SSI/SSP grant amount for a single individual living independently, or 30% of total household income, whichever is higher (up to 50% of area median income).
- If operating and/or other rental subsidies for the MHSA Units are expected to be exhausted prior to the maturity date of the original program loan, the Borrower may submit a plan fro transition of the use of these Units to CalHFA. The plan shall be submitted at least two years prior to the expected depletion of the subsidies. The plan shall include, but not be limited to the following:
  - ♣ An explanation of the efforts the Borrower has made to secure subsidies necessary to sustain the MHSA Units from other sources.
  - ★ An explanation of the fiscal necessity of adjusting the number or use of the designated MHSA Units.
  - ♠ A process for increasing the rent and continuing to market and rent the MHSA Units to members of the Target Population who do not require subsidies.
  - ★ The plan for continuing, throughout the term of the MHSA Program loan, to apply for other subsidies, renewal of subsidies, and/or applications to the County for additional funds to subsidize the rental of MHSA Units to members of the Target Population.
  - ▲ Approval of the Borrower's plan based on an assessment of all available information and a review of the Development's overall financial feasibility. Rent increases in 30% of 50% of AMI will not be approved. The approval will be conditioned on the Borrower's commitment to continue to seek

#### other subsidies and market to the Target Population. Reserve A minimum of three months of the first year's anticipated operating cost, but Requirements no more than 100% of anticipated first year's operating costs, must be capitalized as an operating reserve. This reserve may be held by CalHFA for the term of the MHSA Housing Program loan. A rent-up reserve may be capitalized, as determined by CalHFA based on an independent market study and/or appraisal. The rent-up reserve may be waived by CalHFA based on the number of units that have been leased prior to permanent loan closing. A minimum replacement reserve deposit of \$1,000 per Rental Housing Development unit must be capitalized at permanent loan closing for acquisition/rehabilitation developments. This may be limited to MHSA Housing Program units at CalHFA's discretion. A minimum replacement reserve deposit of \$500 per Shared Housing Development unit must be capitalized at permanent loan closing for acquisition/rehabilitation developments. There are no capitalized replacement reserve deposits requirements for new construction at the time of funding of the permanent loan. Up to \$3,000 per unit of replacement reserves may be capitalized if funds are available in the development budget. Minimum annual replacement reserve deposits of \$500/unit/year per Rental Housing Development unit shall be required from operating cash flow. Minimum annual replacement reserve deposits \$100/unit/year per Shared Housing Development unit (bedroom) from operating cash flow. These amounts may be revised from time to time by CalHFA. Allowable All costs normally allowed as development costs for supportive housing by **Costs and** CalHFA are allowable costs for MHSA Housing Program loans. General Requirements Developer fees may be no higher than those allowed by TCAC and will be reviewed individually for appropriateness. If the Development received a capitalized operating subsidy reserve award, ground lease payments must be capitalized in the development budget, and cannot be amortized over the term of the loan. All developments will be required to apply for the "welfare tax exemption" (property tax exemption), and will be required to maintain that exemption for the term of the loan. MHSA The borrower and the county mental health department may apply for a Capitalized reservation of capitalized operating subsidies for the MHSA Housing Operating Program units up to a maximum of \$100,000 per unit. Subsidy Reserve Starting on January 1, 2009 the capitalized operating subsidy reserve

amount will be adjusted each year by a 4% inflation factor

- Only the operating costs of MHSA Housing Program units may be subsidized with capitalized operating subsidies. Non-MHSA Housing Program unit costs, including supportive services costs, are not eligible costs and must be accounted for in a separate, bifurcated annual budget.
- Capitalized operating subsidies will not be available for developments that do not receive permanent loan funds from the MHSA Housing Program.
- Capitalized operating subsidy reserves will be sized to allow for operating subsidies for up to 20 years.
  - ❖ A development's capitalized operating subsidy reserve will be sized based on a review of the difference between the tenant portion of the rent and operating expenses in the proforma first-year operating budget, an annual income escalator and an annual cost escalator.
  - Interest earnings on the reserve over the term will be factored into the amount of available subsidy.
  - See the Subsidy Calculator on CalHFA's website for current escalators and an estimate of project specific subsidy.
- Capitalized operating subsidies will be capitalized at permanent loan conversion or closing and held by CalHFA in an interest-bearing reserve account for the benefit of the MHSA units.
- Capitalized operating subsidy reserves are for use by MHSA units only and will not be the property of the development.
- Capitalized operating subsidy reserve awards will be made at loan commitment but will be conditioned upon a demonstration, prior to permanent loan closing, that the developer has applied in good faith for other available rental housing subsidies for the development, and been unsuccessful in its application(s). Developers will be asked to identify in their applications the rental subsidy source or sources for which they have applied for or which they are planning to apply for and why they are pursuing that source or sources. The determination of the appropriateness of the source or sources will be made during the underwriting process. Documentation of good faith application to the alternate source or sources will be required during the underwriting process. Developers will only be required to apply for other subsidies in one award cycle.
- Developments that receive rental or operating subsidy contracts from other sources may also apply for a back-up award for MHSA Housing Program capitalized operating subsidies for the time period not covered by other subsidy contract(s), or for any shortfall not covered by other subsidy awards during their term(s), provided that they agree to apply for all available extensions of subsidy contract(s).
- Developments that receive rental or operating subsidy contracts from other sources for less than the total number of MHSA units may apply for COS reserves for the remaining MHSA units, provided that they agree to apply for all available extensions of subsidy contract(s).

#### Use of MHSA Capitalized Operating Subsidy Reserve (COS)

- Capitalized operating subsidies will become available at the point the development receives its Certificate of Occupancy for new construction projects, or at recorded notice of completion for acquisition-rehabilitation projects.
- Capitalized operating subsidies will be disbursed quarterly, in advance. The
  first advance will include a per diem of the capitalized operating subsidy from
  the completion date to the first day of the next quarter.
- The first advance of capitalized operating subsidies includes the anticipated tenant portion of the subsidized rent for one full year. This will allow the borrower to assist the MHSA eligible residents in applying for SSI and other available sources of income. This additional subsidy is intended to make the project whole while residents are going through the SSI application/appeal process. Note: the intent is for these funds to be recycled. Borrowers are advised to include clauses in their leases that require the tenants to reimburse them for back rent due when they begin to receive SSI disability benefits.
- The capitalized operating subsidy payments will be reconciled with actual operating costs every year.
- No distributions of surplus cash or residual receipts may be made to the borrower for non-project purposes from excess capitalized operating subsidies. Any surplus cash attributable to the capitalized operating subsidies, based on the annual audit, must be held by the development for the next year's operating expenses and the next year's capitalized operating subsidies allocation will be adjusted accordingly.
- Capitalized Operating Subsidy Reserve (COS) shall be used to pay:
  - Approved Operating Expenses in excess of actual Development income attributable to the COS MHSA Units.
  - ❖ The annual servicing fee of 0.42% attributable to the MHSA capitalized operating subsidy units.
  - ❖ The balance of the COS may be used to pay the following, if funds are available within the \$100,000 per unit cap after operating expenses and the 0.42% annual servicing fee have been paid, in the priority order specified below:
    - ➤ If the development has a HCD Multifamily Housing Program (MHP) loan, the 0.42 percent required annual interest payment of the principal amount of the MHP loan, attributable to the COS MHSA Units.
    - Annual bond issuance fees, if any, attributable to the COS MHSA Units.
    - Asset management fees of up to \$30 per month per COS MHSA Unit, up to \$18,000 per Development per year, as adjusted for inflation.
    - An annual Operating Reserve deposit not to exceed three percent (3%) of anticipated gross income for the relevant year attributable to the COS MHSA Units.

- > Deferred Developer fees, if any, attributable to the COS MHSA Units.
- Service coordinator salaries and benefits attributable to the COS MHSA Units.
- Capitalized Operating Subsidy Reserve shall not be used to pay for amortized debt service payments, ground lease payments, asset management fees or partnership management fees in excess of the proportional share of the \$18,000 per development allowed in the MHSA Housing Program as adjusted for inflation, the operating costs of any non-MHSA Unit, the operating costs of any MHSA Units for which the Borrower did not apply for and receive a COS award, cash distributions to the Borrower, residual receipts payments to other lenders, lump sum pay off of other loans.

# Occupancy Requirements, and Reduction or Termination of MHSA the Capitalized Operating Subsidy Reserve

- Occupancy will be reviewed annually for compliance with MHSA regulations.
- Capitalized operating subsidies will be reduced or terminated for developments that do not rent their MHSA Housing Program units to MHSA eligible residents.
- Capitalized operating subsidies will be reduced or terminated for MHSA Housing Program units when the MHSA eligible resident has a housing choice voucher (HCV), absent mitigating circumstances.
- Capitalized operating subsidies will be reduced or terminated for MHSA units that receive project-based rental subsidies from other sources.
- Capitalized operating subsidies are only available while an MHSA eligible resident resides in the unit and is paying the tenant portion of the rent (that is, not during months in which the eligible resident has moved out of the unit), except that:
  - Capitalized operating subsidies may continue for up to two months upon vacancy of an MHSA Housing Program unit that receives capitalized operating subsidies.
  - Capitalized operating subsidies will continue if the MHSA eligible resident is in a hospital, an acute or long-term care facility, or other institutional setting for up to three months, provided the MHSA eligible resident is expected to return within the three-month period, and provided that the MHSA tenant portion of the rent is kept current;
  - Capitalized operating subsidies will continue through the end of the threemonth grace period following the date the MHSA eligible resident moves out of the unit when the eligible resident resides in the unit with other household members who are not MHSA eligible residents; and
- If family members who are not MHSA eligible residents continue to reside in the unit after the MHSA eligible resident is no longer in residence, they must be given timely legal notice that (1) the capitalized operating subsidy will be

#### terminated after the 3 month grace period; (2) that the unit rent will be will increase to the lease rate, or alternately, the market rent or the highest restricted rental rate; and (3) that the rent increase will be effective beginning three months after the receipt of the notice. Asset CalHFA will hold capitalized operating subsidies in a reserve and disburse it Management according to the terms of the Capitalized Operating Subsidy Reserve Agreement. Replacement reserves and regular operating reserves for the development will be held by CalHFA. This requirement may be waived at CalHFA's discretion. Taxes and insurance will be impounded by CalHFA. This requirement may be waived at CalHFA's discretion. All developments will be required to submit quarterly financial reports. This requirement may be waived, or more frequent reporting may be required, at CalHFA's discretion. All mixed-use developments which receive an MHSA Capitalized Operating Subsidy Reserve will be required to submit bifurcated annual audits prepared by a certified public accountant in accordance with commonly accepted accounting standards. The audit must distinguish actual annual income and expenses of MHSA units that receive capitalized operating subsidies from those units that do not receive the subsidies. The audit requirement may be waived at CalHFA's discretion or alternately, CalHFA may, at its discretion, substitute a different form of financial certification for Shared Housing Developments and small Rental Housing Developments of 25 units or fewer. **Supportive** The borrower must provide a clearly articulated supportive services delivery Services program. The supportive services provided must be appropriate to MHSA eligible residents, and designed to assist those residents to live independently. The borrower must have a commitment for supportive services funding from the county mental health department upon submission of the MHSA Housing Program loan application. All developments must identify a qualified service provider that will provide supportive services to the residents. In the event that there are multiple service providers, the application must identify a primary service provider for the development. The borrower will be required to arrange for the provision of supportive services for the term of the MHSA Housing Program loan. All applications must include a supportive services plan, which must meet MHSA Housing Program requirements and must be approved by DMH. A supportive services budget, including staffing ratios, will be required by CalHFA ninety days prior to lease up or upon the closing of the MHSA Housing Program Loan, which ever is sooner. The property management agent and the primary service provider may be

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	the same entity, provided that there is a clear separation of staff and a clear delineation of their separate roles and responsibilities.
MHSA Housing Program Target Population &	DMH has defined the MHSA target population for the purposes of the MHSA Housing Program, as individuals who meet the following criteria:
Certification Requirements	(1) Adults or older adults with serious mental illness as defined by Welfare and Institutions Code Section 5600.3(b).
	(2) Children and youth with severe emotional disorders as defined in Welfare and Institutions Code Section 5600.3(a).
	(3) In addition to meeting either (1) or (2) above, the individual shall be one of the following:
	Homeless, meaning living on the streets or lacking a fixed and regular night-time residence. This includes living in a shelter, motel or other temporary living situation in which the individual has no tenant rights.
	At risk of being homeless due to one of the following situations: (i) Transition age youth exiting the child welfare or juvenile justice systems. (ii) Discharge from crisis and transitional residential settings; a hospital, including acute psychiatric hospitals; psychiatric health facilities; skilled nursing facilities with a certified special treatment program for the mentally disordered; and mental health rehabilitation centers. (iii) Release from city or county jails. (iv) Temporary placement in a residential care facility upon discharge from (ii) or (iii) above. (v) Certification by the county mental health director as an individual who has been assessed by and is receiving services from the county mental health department and who has been deemed to be at imminent risk of being homeless.
	The county mental health department shall determine the eligibility of individuals applying for tenancy in an MHSA unit for compliance with the target population criteria.
	The county mental health department must certify the eligibility of individuals meeting target population criteria. Individuals who have been certified are MHSA eligible residents.
Application Process	All developments will be required to submit a completed application with all attachments. The application form will be posted on the DMH and CalHFA web sites. It will include MHSA Housing Program-specific requirements and the joint CalHFA, TCAC, CDLAC, and HCD application ("the Universal Application").
	Please see the most recent term sheet on the CalHFA website at http://www.calhfa.ca.gov/multifamily/mhsa/index.htm.
Due Diligence	The due diligence reports listed below are required for all developments.  Preparation of reports will be at the developer's/ borrower's expense:  A management contract with a qualified property management agent with experience with the target population.

- A Memorandum of Understanding (MOU) between the developer, the primary service provider, the property management company and the county mental health department. The property management agent and the primary service provider may be related entities, provided there is a clear separation of staff and a clear delineation of their separate roles, staffing and responsibilities in the MOU.
- A supportive services plan.
- A supportive services budget, including staffing ratios, will be required as a condition of funding.
- A commitment from the county mental health department for services funding on the form provided in Attachment H of the MHSA Housing Program Application. This form must be signed by the county mental health director.
- Qualifications and evidence of experience with similar developments from the developer and development team members, together with resumes for their key personnel.
- Three years of audited financials for the developer.
- Evidence of Article 34 compliance, if applicable.
- Property appraisal, market study, Phase I Report, and other studies as appropriate.
- For acquisition or rehabilitation projects, the purchase appraisal may be accepted in lieu of an as-improved appraisal at CalHFA's discretion.
- For Shared Housing Developments, appraisals must be submitted on a form appropriate for single family or small rental properties and must be prepared by a California licensed appraiser.
- MAI commercial appraisals performed by a California licensed appraiser will be required for Rental Housing Developments.
- Physical Needs Assessments, building inspection reports, sewer camera reports, roof reports, lead-paint, mold, asbestos, and structural (seismic) studies, as appropriate, for acquisition/ rehabilitation projects. For smaller shared housing developments, a building inspection report may replace the Physical Needs Assessment.
- Some third party studies including physical need assessments and construction inspection contracts will be commissioned by CalHFA.
- Plans and specifications will be required for new construction. Please see CalHFA's architectural recommendations on our website. New construction projects will be reviewed in accordance with these recommendations.
- Plans and specifications and a narrative scope of work will be required for acquisition/rehabilitation developments.
- Plans should provide for both supportive services space and office space for service staff, as appropriate, in Rental Housing Developments.
- Plans and specifications are not required for Shared Housing Developments where rehabilitation is not required.

Please see the MHSA guidelines for Shared Housing Developments Acquisition Rehabilitation Projects on our website. Acquisition Rehab Shared Housing Developments will be reviewed in accordance with those recommendations. Predevelopment Predevelopment loans of up to \$500,000 will be available to all Rental Loans Housing Developments that have received an MHSA Housing Program permanent loan commitment, have obtained all other permanent financing commitments, and can demonstrate site control and receipt of all required local planning approvals, except permits. Predevelopment loans of up to \$200,000 will be available to all Shared Housing Developments that have received an MHSA Housing Program loan commitment, have obtained other permanent financing commitments if applicable, and can demonstrate site control and receipt of all required local planning approvals, except permits. Predevelopment loan amounts cannot exceed the MHSA Housing Program permanent loan commitment for the development. All predevelopment loans in excess of \$200,000 must be secured against the property. Predevelopment loans of less than \$200,000 may be secured against the property at CalHFA's discretion. The predevelopment loan term will be two years from either permanent loan closing or predevelopment loan closing, whichever is sooner. Interest will be 3% simple fixed. Principal and interest will be deferred until permanent loan closing. Predevelopment loan interest may be forgiven at permanent loan closing if MHSA funds are used for permanent financing. Predevelopment loan funds will be available for predevelopment costs necessary to complete due diligence required for construction loan closing or permanent financing. Examples of eligible predevelopment costs include engineering studies. Phase 2 studies, and architectural fees, legal fees and the 1% MHSA Housing Program loan fee. Staffing costs, purchase option costs, and all costs associated with site acquisition are not eligible costs for predevelopment loans. If the MHSA permanent loan does not fund, the predevelopment loan principal and all accrued interest shall be due at the time of the predevelopment loan's maturity. Reporting County mental health departments must meet all DMH Outcomes Reporting requirements. The primary service provider and borrower will be required to provide information regarding supportive services delivery to and housing outcomes for MHSA eligible residents, on an MHSA Housing Program Annual Self-Certification form (see CalHFA website).

- Developments will be required to provide on the MHSA Housing Program Annual Self-Certification data on tenant access to housing rental and operating subsidies and benefits programs, including but not limited to the number of MHSA eligible residents who:
  - Are on the Section 8 waiting list,
  - ❖ Are enrolled in the Section 8 voucher program,
  - ❖ Are receiving SSI/SSP,
  - Have an application in progress for, but are not yet receiving, SSI/SSP, and
  - Have applied for or are receiving other benefits to which they are entitled.

### Exception Process

CalHFA may grant exceptions to MHSA Housing Program requirements upon written request from the county mental health department and/or the sponsor/borrower. Unless prior written approval is received from CalHFA, the county mental health department and the sponsor/borrower must maintain compliance with all program regulations and requirements.

It should be noted that only the county mental health department may request an increase in the allowable maximum loan amount.

No exceptions will be considered for any form of leased housing, deviations from serving the target population or from the approved housing types.

CalHFA may exempt the county mental health department and/or the sponsor/borrower from compliance with any program regulations or requirements upon receipt of a submittal substantiating evidence supporting the request and justifying the proposed alternative.

Within 30 days of receipt of a request for an exception, CalHFA will notify the county mental health department and/or the sponsor/borrower, in writing that either (1) the request with substantiating evidence has been received and accepted for consideration, or (2) the request is deficient. If the request is deficient, CalHFA will describe the additional information required for the request to be acceptable and establish a timeframe for receipt of the additional information. If the county mental health department and/or the sponsor/borrower fail to comply with the CalHFA-established timeframe for submission of additional information, the exception request will be denied.

Within 30 days of receipt of an acceptable request for an exception, CalHFA will notify the county mental health department and/or the sponsor/borrower, in writing, whether the request has been approved, denied, or accepted with conditions and modifications.

#### **Questions**

CalHFA will administer this housing program for DMH under an interagency agreement between the two agencies in accordance with DMH regulations, which are currently being promulgated.

Financing questions regarding the MHSA Housing Program may be directed to

CalHFA's Multifamily Programs Division:

Kathy Weremiuk, Special Lending Program Manager

Phone: (310) 342-1256; Fax: (310) 342-1225

Email: kweremiuk@calhfa.ca.gov

Nanette Guevara, Loan Officer

Phone: (916) 324-9844; Fax: (916) 327-5115

Email: nguevara@calhfa.ca.gov

Tina Ilvonen, Loan Officer Consultant

Phone: (206) 517-9961; Fax: (206) 517-3141

Email: tilvonen@calhfa.ca.gov

Questions on the Mental Health Services Act and DMH regulations may be directed to DMH's MHSA Special Projects unit:

Jane Laciste, Chief, Special Projects

Phone: (916) 654-3529

Email: jane.laciste@dmh.ca.gov

#### IMPORTANT DISCLOSURE INFORMATION:

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance or program nuance of the MHSA Housing Program, the Mental Health Services Act and the regulations enacted under it by DMH, and/or housing law. This program description is subject to change from time to time without prior notice. 04/08