



County of San Bernardino
Department of Behavioral Health

**Mental Health Services Act
Housing Program**

Guidelines for Applications

Funding Availability for Development Financing and Operating
Subsidies to Develop Permanent Supportive Housing for Individuals
with Serious Mental Illness Who are Homeless or At Risk of
Homelessness

July 20, 2009



ALLAN RAWLAND, MSW, ACSW
Director

July 20, 2009

Dear Interested Parties:

Introduction

We are pleased to release the following Guidelines for Applications 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 purpose of the Guidelines for Applications is to establish an administrative process for pre-screening applicants, evaluating project proposals, and matching applicants with an appropriate Full Service Partnership, prior to the preparation of an MHSA funding application.

Background

The California Department of Mental Health (State DMH) and the California Housing Finance Agency (CalHFA) have allocated approximately \$20 million to the San Bernardino County Department of Behavioral Health (SBDBH). These funds may be utilized for capital and operating subsidies for the development, acquisition, construction and/or rehabilitation of permanent supportive housing. SBDBH is designated as the local public agency responsible for submitting MHSA funding applications. The full state application is available for reference at the CalHFA website: www.calhfa.ca.gov/multifamily/mhsa/index.htm.

Planning

SBDBH has led a community planning effort to determine the goals and priorities for the use of MHSA funds in San Bernardino County. The result of this planning effort is the San Bernardino County MHSA Housing Plan, which calls for the creation of 150 new units of dedicated permanent supportive housing. The MHSA Housing Plan contains development guidelines that applicants must consider when planning projects that may utilize MHSA funds. The MHSA Housing Plan and these Guidelines for Applications can be found at www.co.san-bernardino.ca.us/dbh/mhsa/mhsa.asp.

Requirements

A **mandatory developer workshop** will be held on **Monday, July 20, 2009 at 10 a.m.** at the Goldy S. Lewis Community Center in Central Park, 11200 Baseline Road, Rancho Cucamonga. Please RSVP for the meeting with Diana Perez at (909) 387-8619 or by email at diperez@dbh.sbcounty.gov.

SBDBH will begin accepting Pre-Application information packages from qualified applicants at 9 a.m. on Monday, August 3, 2009. Pre-Applications will continue to be accepted thereafter until all MHSA funds have been reserved or committed. The Pre-Application information package will allow SBDBH the opportunity to review the proposed project, assess the applicant's experience and financial capacity, and evaluate readiness to proceed with an application. SBDBH and its consultant team (Corporation for Supportive Housing and LeSar Development Consultants) will provide each applicant with written feedback on technical issues such as compliance with state requirements, MHSA housing plan goals, and specific project criteria.

Board of Supervisors

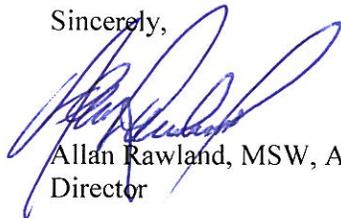
MARK UFFER
County Administrative Officer

BRAD MITZELFELT First District
PAUL BIANE Second District
JOSIE GONZALES, VICE CHAIR Fifth District
NEIL DERRY Third District
GARY C. OVITL, CHAIR Fourth District

MHSA Housing Program Letter
July 20, 2009
Page Two

We are looking forward to the successful implementation of this program in San Bernardino County to increase the supply of permanent supportive housing for individuals with serious mental illness who are homeless or at risk of homelessness. Please send any questions in writing to Douglas Fazekas, Administrative Manager, San Bernardino County Department of Behavioral Health, 700 East Gilbert Street, Building 6, San Bernardino, CA 92415 or via email to: dfazekas@dbh.sbcounty.gov.

Sincerely,



Allan Rawland, MSW, ACSW
Director

AR:DF:dp

Cc: Members of the Board of Supervisors
Mark Uffer, County Administrative Officer
Dean Arabatzis, Assistant County Administrative Officer
Trudy Raymundo, Administrative Analyst
Frank Salazar, Deputy County Counsel
Mental Health Commission

**San Bernardino County
Mental Health Services Act
Housing Program**

Guidelines for Applications

CONTENTS

Overview of the State MHSa Housing Program..... 1

Types of Eligible Projects..... 1

Qualified Applicants..... 2

San Bernardino County MHSa Housing Plan 3

Overview of Administrative Review Process 4

The Pre-Application Information Package 5

The Administrative Review Process 6

Attachments..... 9

1. MHSa Housing Program Application Process Chart
2. Pre-Application Project Information Form
3. San Bernardino County Target Populations
4. San Bernardino County MHSa Housing Development Guidelines
5. Full Service Partnerships Contact Information
6. MHSa Term Sheet and Program Description (CalHFA)
7. Development Description Posting Form

Overview of the State MHSA Housing Program

The Mental Health Services Act (MHSA) created new funding for mental health services for unserved and underserved persons with serious mental illness. The MHSA Housing Program provides both capital and operating resources to create permanent supportive rental and shared housing opportunities throughout California.

At the state level, the California Department of Mental Health (State DMH) and the California Housing Finance Agency (CalHFA) are working collaboratively to implement the MHSA housing program. The program provides permanent financing for acquisition, construction and/or rehabilitation of permanent supportive housing for individuals with mental illness. Capitalized operating subsidies for rental units serving MHSA tenants are also available for projects approved for MHSA capital funds. A summary of the program requirements and financing terms can be found in Attachment 6, MHSA Housing Program Term Sheet and Program Description.

Under the MHSA Housing Program, approximately \$20 million is available for San Bernardino County, of which \$13 million is for capital development costs and \$7 million is for operating subsidies. To access these funds, the County of San Bernardino Department of Behavioral Health (SBDBH), is designated as the public agency responsible for submitting MHSA funding applications to the two State agencies on behalf of applicants.

The MHSA housing application consists of two main components: the project's financial feasibility and the project's social service plan, which details how services will be delivered to the target population residing in the proposed project. During the application process, CalHFA will review requests for capital and operating funds and evaluate the project's financial feasibility, and State DMH will review the proposed target population and the project's social service plan. Once funds are awarded, CalHFA will oversee all financial aspects of the project and State DMH will oversee the provision of social services.

Types of Eligible Projects

The State MHSA Program has eligibility guidelines for the two types of development projects that it will fund: Shared Housing and Multifamily Rental Housing.

1. **Shared Housing Developments** are projects in which each MHSA-eligible tenant occupies a lockable bedroom. Each tenant holds a separate lease agreement and is responsible for paying rent. Rents must be restricted to 30% of 50% of area median income (AMI), with preference given to projects that target units for tenants that earn less than 30% of AMI. Three types of buildings are eligible for shared housing:
 - a. A single-family home with at least 2 and no more than 5 bedrooms
 - b. A residential building containing 2 to 4 units, with all of the units dedicated to shared housing
 - c. Condominiums with a minimum of 2 bedrooms in each unit, with all of the units dedicated to shared housing

2. **Multifamily Rental Housing Developments** are projects of 8 to 100 units, where at least 8 of the units are set aside for MHSA-eligible residents; or, projects of more than 100 units with at least 10 units set-aside for eligible residents. Rents must be restricted to 30% of 50% of AMI, with preference given to projects that target units for tenants that earn less than 30% of AMI.

Rental developments, due to their larger development costs, will require additional financing, which may be obtained from the California Department of Housing and Community Development, the California Tax Credit Allocation Committee, and the U.S. Department of Housing and Urban Development. Applicants are also encouraged to find locally administered housing funds such as Project-based Section 8, HOME, and Redevelopment Housing Set-aside funds.

Qualified Applicants

In order to apply for MHSA funding, an applicant must be one of the following entities:

1. A non-profit housing developer with a track record of successful affordable housing development.
2. A joint venture partnership of a successful non-profit housing developer with either an established service provider or a start-up non-profit developer.
3. A non-profit service provider that has a track record of serving the target population and that is interested in pairing up with a non-profit housing developer.
4. A limited partnership, where a non-profit developer with a successful track record is the general managing partner.
5. An affiliate of the local redevelopment or housing agency with a track record of successful affordable housing development.

The following entities are not eligible to apply:

1. A for-profit business.
2. A religious organization that is not set up as a non-profit 501(c)(3) organization.
3. A for-profit real estate developer, unless it is in a limited partnership with a non-profit developer.

San Bernardino County MHSA Housing Plan

The San Bernardino County MHSA Housing Plan calls for the creation of 150 new units of dedicated permanent supportive housing for individuals with serious mental illness who are homeless or at significant risk of becoming homeless. The complete MHSA Housing Plan can be found at: <http://www.co.san-bernardino.ca.us/dbh/mhsa/mhsa.asp>.

Supportive housing is a successful, cost-effective combination of affordable housing with services that helps people live more stable, productive lives. Supportive housing works well for people who face the most complex challenges; individuals and families who are not only homeless or at risk of homelessness, but who also have very low incomes and serious persistent issues such as a mental health disorder. The supportive housing model ensures that appropriate supports and services are available for tenants to ensure their stability in housing.

The MHSA Housing Plan, approved in November 2008, builds on the County of San Bernardino MHSA Community Services and Supports (CSS) Plan. The supportive housing units will be dedicated for individuals designated within the CSS plan as currently unserved and who are currently enrolled or eligible to be enrolled in Full Service Partnerships (FSPs). FSPs are comprehensive programs designed to provide “whatever it takes” services to stabilize and support individuals with mental illness who also have significant other social/economic barriers for which they require care.

New units created as an outcome of this plan will be targeted to adults and older adults with serious mental illness and transition-aged youth with severe emotional disorders who are homeless or at risk of homelessness. A portion of units will also be targeted to provide housing to individuals with serious mental illness leaving or being diverted from the criminal justice system. Definitions of the target populations from the MHSA Housing Plan can be found in Attachment 3, *San Bernardino County Target Populations*.

The MHSA Housing Plan outlines a targeted number of units, broken down by target population, building type, unit size, and other criteria. The plan includes a broad financial model estimating the overall cost of leasing, developing and/or operating these units. It demonstrates how locally controlled MHSA housing funds may be used to leverage the additional financing needed to achieve the targets. Finally, the plan includes a proposed process for ensuring that progress is evaluated annually and modifications are implemented as needed to ensure successful outcomes.

The MHSA Housing Plan also includes guidance for applicants about desirable projects, including certain design and development principals which proposed MHSA housing projects in San Bernardino County must meet. This guidance also includes requirements for on-site and off-site amenities, income targeting and affordability restrictions. The development guidelines can be found in Attachment 4, *San Bernardino County MHSA Housing Development Guidelines*.

Overview of Administrative Review Process

In order to submit an application for MHSAs housing funds, applicants are required to attend the mandatory public workshop to learn about the MHSAs housing program, these Guidelines for Applications, the Terms and Conditions for MHSAs funding, and the “over-the-counter” administrative review process. SBDBH, with technical assistance from the Corporation for Supportive Housing and LeSar Development Consultants (“Consultant Team”) will assist each applicant to complete the process. The steps and estimated timeframes in the administrative review process are outlined in Attachment 1, *MHSA Housing Program Application Process Chart*.

The first step in the process for each applicant is to prepare and submit the Pre-Application information package including Attachment 2, *Pre-Application Project Information Form*. The Pre-Application will be initially reviewed by SBDBH and a Consultant Team representative and then by a Technical Review Committee (TRC). Written feedback will be provided to the applicant on issues of concern, and any technical issues identified in the Pre-Application must be resolved by the applicant.

After the initial review by the TRC, SBDBH will match the applicant to an appropriate Full Service Partnership (FSP), based on the selected target population and geographic location. The applicant will contact the FSP to discuss the supportive services component and negotiate an agreement to collaborate on the supportive housing project. This agreement will be formalized in a draft Memorandum of Understanding (MOU) provided by the County.

When SBDBH determines that any technical issues have been satisfactorily addressed, the Pre-Application will be presented to the County of San Bernardino Executive Housing Committee (“Executive Committee”) for consideration. When the Executive Committee has approved the Pre-Application and the draft MOU (if available), the applicant and FSP will prepare a full MHSAs funding application.

The MHSAs application will be submitted to SBDBH for determination of completeness, and, then to the SBDBH Executive Director, who will schedule an item on County Board of Supervisors agenda. In advance of the Board of Supervisors meeting, SBDBH will post selected parts of the application on its Website for the required 30-day public comment period. When this process is completed and the Board has approved the supportive services element, the SBDBH Executive Director will sign-off on the application and it will be sent to CalHFA and State DMH. The State agencies require approximately 60 days to review and approve the application for MHSAs funding.

The Pre-Application Information Package

The initial step is to prepare an information package for submittal to SBDBH. Please make six sets of the items listed below, presented in clearly numbered and tabbed binders.

- 1) Project Information
 - a. A cover letter, signed by the CEO, Executive Director, or President. The letter should express the applicant's interest in developing permanent supportive housing for one or more of the target populations. Identify the person with the authority to represent and make legally binding commitments on behalf of the applicant.
 - b. The completed Pre-Application Project Information Form (see Attachment 2).
 - c. A two-page narrative description of the proposed project, including an explanation of how the project meets the goals of the San Bernardino County MHSR Housing Plan.

- 2) Description of Applicant or Development Team (maximum of 3 pages)
 - a. If the applicant is an affordable housing developer that has successfully developed supportive housing, then describe the applicant entity and identify all key principals. Provide relevant qualifications, project-specific experience of the key principals, and full contact information.
 - b. If not (a) above, then provide a description of the development team. Please list all relevant members of the development team including the developer, property management firm, qualified service provider (if already identified), and any consultants. Clearly identify each development team member's role and provide full contact information.
 - c. Attach resumes for all key staff highlighting previous experience with supportive housing and affordable housing development.

- 3) Applicant's Experience (maximum of 3 pages, plus attachments and photographs)

Describe the applicant's relevant project development experience, property management expertise and collaborative experience with supportive service providers. Provide examples of up to three development projects, including at least one example of the development of permanent supportive housing (underway or completed) and one affordable rental housing project. For each project example:

 - a. Include the specific target population served, the number of units, and the level of income targeting, the unit bedroom mix, and the unit sizes.
 - b. Describe the role that applicant played in development and operation of the project.
 - c. Identify any unique challenges, community outreach activities, and ways in which the project benefited the surrounding community.
 - d. Describe the involvement of the public sector agencies and the assistance they provided.
 - e. Detail supportive services provided at the project (if applicable).
 - f. Attach a map of the project location and photographs of the site and/or buildings.

Based on the review of the TRC, the Consultant Team representative will provide the applicant with a written evaluation of the committee's findings, including identification of any technical issues that need to be resolved.

Once any technical issues have been satisfactorily resolved by the applicant, the Pre-Application will be presented to the Executive Committee for its consideration of approval. If approved to move forward, SBDBH will work with the applicant to prepare an MHSA application. Funding for the proposed project will be reserved for a period of 90 days in order to allow for completion and submission of the MHSA application. Applications not submitted within that timeframe will be dropped from their reservation of funds.

Pre-Applications will be reviewed in the order that they are received by SBDBH. However, each applicant will only proceed to the MHSA application stage when all technical issues have been satisfactorily resolved and the Executive Committee gives its approval to the project. Thus, an applicant with an unresolved technical issue could be delayed, while the project of a subsequent applicant may be given approval by the Executive Committee to prepare an MHSA application.

The MHSA Housing Plan has specific goals for identified target populations and for the geographic distribution of projects. If the funding available for any target population or geographic location has been fully reserved or approved for earlier applicants, then a subsequent Pre-Application may be rejected. SBDBH will update its website periodically with information on the availability of funding for various target populations and geographic locations.

Concurrently with review by the Technical Review Committee, SBDBH will provide contact information and /or arrange a meeting with an appropriate FSP for the selected target population (see Attachment 5, *Full Service Partnerships Contact List*). The applicant will contact the FSP to determine if the FSP will be able to provide services for the proposed supportive housing project, and if so, they will negotiate an agreement to collaborate. After a draft MOU agreement is reached, the two parties will work together to prepare the MHSA application.

The applicant is required to submit the original and six copies of the completed MHSA application to SBDBH. In addition, the applicant needs to submit Attachment 7, *Development Description Posting Form*, which will be used in the public notice. On this form, the applicant should provide a thorough description of the housing development project, including:

- tenant populations and target income levels
- how the buildings in the project meet the housing and services needs of the proposed tenant populations
- project benefits and other information, if applicable
- a summary of the project financing
- list of key development team members, including the property manager

The final MHSA application will be submitted to SBDBH, which will review it for completeness. In the event that SBDBH determines that the application deviates significantly from the Pre-Application submittal, then it will need to be presented again to the Executive Committee for its review and recommendation.

Guidelines for Application

July 20, 2009

Page 8 of 9

Once complete, an item will be scheduled on the agenda of the County Board of Supervisors to approve a commitment of supportive services to the project in accordance with the project's service plan and for the term of the State loan. It takes about six weeks to schedule an agenda item.

During the period prior to the Board meeting, SBDBH will post the following information on the SBDBH website for a 30-day public comment period¹:

- Development Summary Form (Attachment I of the MHSA application)
- Development Description Posting Form (a 2-page narrative about the project)
- Sections D.1 through D.5 of the MHSA application

At the close of the public comment period, the applicant and/or SBDBH Consultant Team representative will formulate responses to the comments that are received. The comments and responses will be posted on the SBDBH Website and modifications to the application will be made, as necessary. After the County Board of Supervisors approves the supportive services element, the SBDBH Executive Director will execute the necessary forms and the applicant will submit the final application to CalHFA and State DMH.

The State agencies require approximately 60 days to review and approve applications. First State DMH will review Sections D.1 through D.5 and then CalHFA will present the application to its senior MHSA loan committee for approval of the funding request.

Please send questions in writing about these Guidelines for Applications to:

Mr. Douglas Fazekas, Administrative Manager
County of San Bernardino Department of Behavioral Health
700 E. Gilbert St. Bldg. 6
San Bernardino, CA 92415
dfazekas@dbh.sbcounty.gov

¹ Posting of the application is not an indication of SBDBH support or approval of the project

Guidelines for Application

July 20, 2009

Page 9 of 9

Attachments

1. MHSA Housing Program Application Process Chart
2. Pre-Application Project Information Form
3. San Bernardino County Target Populations
4. San Bernardino County MHSA Housing Development Guidelines
5. Full Service Partnerships Contact Information
6. MHSA Term Sheet and Program Description (CalHFA)
7. Development Description Posting Form

San Bernardino MHSa Housing Program Application Process Chart

Activity	Responsible Parties	Estimated Timeframe	Cumulative Timeframe
Developer Submits Pre-Application Information Package to SBDBH	SBDBH: Betty Aguirre, Contracts	Begin	Begin
Meeting between SBDBH technical consultant and Applicant to discuss how the proposed project meets MHSa Housing Program goals and confirm application process and timeframes	SBDBH: Doug Fazekas Consultant Team representative*	15 days	15 days
Technical consultant prepares Pre-Application review memo for Technical Review Committee	Consultant Team representative	5 days	20 days
Pre-Application is presented to Technical Review Committee	Technical Review Committee	15 days	35 days
Technical consultant provides written evaluation to the Applicant on TRC findings and technical issues that need to be resolved	Consultant Team representative	5 days	40 days
Concurrently with TRC review, SBDBH will link the Applicant with appropriate FSP to discuss services to target population	SBDBH: Doug Fazekas	Concurrent	
When applicant has resolved technical issues, Pre-Application will be presented to the Executive Committee for review and approval	SBDBH: Doug Fazekas	15 days	55 days
Applicant meets with the FSP to negotiate an agreement to provide services to project and prepare draft MOU	Applicant and FSP	15 days	concurrent
If project is approved by the Executive Committee, Applicant and FSP work collaboratively to complete the MHSa Housing application, including section D.1 to D.5 (services plan)	Applicant and FSP	30-60 days	100 days (assume 45 days for prep)
Completed MHSa Housing Program Application submitted to SBDBH for review and SBDBH prepares posting for public comment period	SBDBH: Doug Fazekas Consultant Team representative	5 days	105 days
SBDBH Executive Director reviews application and schedules it for Executive Comm. and/ or Board of Supervisors agenda	SBDBH: Alan Rawland	10 days	115 days
If there is significant deviation from Pre-Application, then Executive Comm. reviews	Executive Committee	15 days	concurrent
Public Comment Period		30 days	145 days
Public comments addressed and responses incorporated into Board staff report	Applicant Consultant Team representative	5 days	150 days
Board of Supervisors meeting	Board of Supervisors	6 weeks after posting	160 days
SBDBH Executive Director signs forms and MHSa application is sent to State agencies	SBDBH: Alan Rawland	5 days	165 days
State DMH to review and approve Section D; then CalHFA approval will be made by senior loan committee	State DMH and CalHFA	60 days	225 days
Feedback to State agencies; finalize loan approval	SBDBH: Doug Fazekas	15 days	240 days

* The Consultant Team representative is from the Corporation for Supportive Housing and/or LeSar Development Consultants

**San Bernardino County MHSAs Housing Program
PRE-APPLICATION PROJECT INFORMATION FORM**

Names of Community & Advocacy Groups that have been or will be contacted	
--	--

Financing Information

Construction Type	New Construction _____ Acquisition/Rehab _____
Form of site control	
Preliminary Sources & Uses, if available	
Total Development Costs	
Per unit cost	
Amount of MHSAs capital funds requested	
Per unit cost-MHSAs funds	
Target rents for MHSAs-assisted units	30% of 50% AMI: 30% of 30% of AMI: 30% of SSI:
If requesting MHSAs Operating Subsidies, amount of request	
If acquisition/rehab, are there tenants who may qualify for relocation assistance?	

**SAN BERNARDINO COUNTY MHSA HOUSING PROGRAM
TARGET POPULATIONS**

FSP	Target population	SBDBH Regions	Housing Units
TAY-1	<p>Transition Age Youth (TAY) ages 16 – 25 with a serious mental illness who are enrolled or eligible for FSP services who also have one or more of the following situational characteristics:</p> <ul style="list-style-type: none"> ▪ Repeated use of emergency mental health services, ▪ Have co-occurring disorders, ▪ Homeless or at-risk of homelessness, ▪ At risk of involuntary hospitalization or institutionalization, ▪ High risk youth with serious emotional disturbances in the Justice System and Out-of-home placement, and/or ▪ Recidivists with significant functional impairment. 	<p>West Valley/ Central Valley</p> <p>East Valley/San Bernardino</p> <p>High Desert/ Mid Desert</p>	40
A-2 Criminal Justice	<p>Unserved adults with serious mental illness who are enrolled in or eligible for FSP services and who also have one of the following situational characteristics:</p> <ul style="list-style-type: none"> ▪ Been incarcerated and treated for mental illness while in jail ▪ Who are brought to outpatient clinics for service by law enforcement. 	Countywide	30
A-3 High User ACT	<p>Adults with serious mental illness enrolled in or eligible for FSP services who will have one or more of the following situational characteristics:</p> <ul style="list-style-type: none"> ▪ Homeless or at-risk of homelessness, ▪ Co-occurring substance abuse problems, ▪ Involved in the criminal justice system, ▪ Recently discharged from the psychiatric hospitals 	Countywide	60
OA-1 Older Adults	<p>Older Adults (60 and older) with a serious mental illness who are enrolled in or eligible for FSP services who will have one or more of the following situational characteristics:</p> <ul style="list-style-type: none"> ▪ Homeless or at-risk of homelessness, ▪ Unserved or, underserved, or inappropriately served in the mental health system, ▪ Frequent users of emergency room services for psychiatric problems or are frequently hospitalized, ▪ Reduced personal and/or community functioning due to physical and/or health problems, ▪ Co-occurring substance abuse problems, and/or ▪ Isolated and at-risk for suicide due to stigma surrounding their mental health problems. 	High Desert	20

**SAN BERNARDINO COUNTY MHSA HOUSING PLAN
DEVELOPMENT GUIDELINES**

(Excerpted from Chapter 4 of the San Bernardino County MHSA Housing Plan)

For projects developed using MHSA housing funds, the following guidelines shall apply:

1. MHSA Housing funding should be targeted for the provision of housing to specific populations in need living in San Bernardino County. Therefore, housing proposals selected for development should target the specific populations as called out in the San Bernardino County Community Services and Supports Plan including Transition-Age Youth, Adults and Older Adults, and individuals leaving institutionalization and incarceration.²
2. Developers must involve client representatives and family members in the design and planning process for all new projects that have not already been through the design process.
3. Housing proposals selected for development should give FSP clients a variety of choices in the type and geographic location of housing accessible to them.
4. Housing proposals selected for development should be balanced between buildings that are 100% targeted for MHSA clients with buildings that include MHSA clients and units serving other populations. SBDBH 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 tenancy and some projects are small in size (25 units or less).
5. Housing proposals selected for development should serve FSP clients who have the most difficulty finding housing, particularly those below 30% of the Area median income.
6. In order to promote housing stability, projects selected for development 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, with a target goal of 55 years.
7. Housing proposals selected for development should have community space within the rental housing to include common meeting spaces, communal kitchens and/or gardens.
8. Housing proposals selected for development should be located near transportation, with access to health services, groceries, and other community amenities and services not provided on site.

² There may be additional funding and/or policy restrictions that would prevent housing individuals with criminal records. Project sponsors are encouraged to talk to SBDBH regarding this issue.

**SAN BERNARDINO COUNTY MHSA HOUSING PLAN
DEVELOPMENT GUIDELINES**

9. Housing development teams selected should include experienced housing developers and service providers committed to partnering and working together over the long-term.
10. 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, with a minimum size of 350 square feet.

**San Bernardino Mental Health Services Act
FULL SERVICE PARTNERSHIPS
CONTACT INFORMATION**

Department of Behavioral Health Outpatient Clinics		
<u>Name</u>	<u>Contact Information</u>	<u>Target Population Served</u>
1. <u>BARSTOW COUNSELING AND MENTAL HEALTH CENTER</u>	805 E. Mountain View Barstow, CA 92311 (760) 256-5026	Adults, 18 to 59
2. <u>CIRCLE OF CARE</u>	11951 Hesperia Rd. Hesperia, CA 92345 1-800-451-5633	Older Adults
3. <u>HOMELESS INTENSIVE CASE MANGEMENT</u>	237 Mill St. San Bernardino, CA 92408 (909)-388-4131	Adults, 18-59
4. <u>MESA COUNSELING CENTER</u>	850 E. Foothill Blvd. Rialto, CA 92376 (909) 421-9233	Adults, 18-59
5. <u>ONE STOP TAY CENTER</u>	700 E. Gilbert St., Blding # 4 San Bernardino, CA 92415 (909) 387-7194	Transitional Age Youth, 18-25
6. <u>PHOENIX COMMUNITY COUNSELING CENTER</u>	820 E. Gilbert St. San Bernardino, CA 92415 (909) 387-7200	Adults, 18-59
7. <u>SUPERVISED TREATMENT AFTER RELEASE (STAR)</u>	1330 Cooley Dr. Colton, CA 92324 (909) 423-0750	Adults, 18-59 (Forensic)
8. <u>UPLAND COMMUNITY COUNSELING CENTER</u>	934 N. Mountain View, Suite C Upland, CA 91786 (909) 579-8100	Adults, 18-59
9. <u>VICTOR VALLEY BEHAVIORAL HEALTH CLINIC</u>	12625 Hesperia Rd. Victorville, CA 92395 (760) 955-1777	Adults, 18-59
10. <u>VISTA COMMUNITY COUNSELING</u>	17216 Slover Ave., Bldg L Fontana, CA 92337 (909) 854-3420	Adults, 18-59
11. <u>ONTARIO COMMUNITY COUNSELING CLINIC (integrating the Chino Clinic)</u>	1647 E Holt Blvd. Ontario, CA 91761 (909) 933-6341	Adults, 18-59

Contract Agencies (FSP Providers)		
<u>Name</u>	<u>Contact Information</u>	<u>Target Population Served</u>
11. <u>ASSERTIVE COMMUNITY TREATMENT (ACT)</u>	2080 S. E St. San Bernardino, CA 92408 (909) 388-9191	Adults, 18-59
12. <u>EMO CHILDREN AND FAMILY SERVICES</u>	572 N. Arrowhead Ave. San Bernardino, CA (909) 266-2700	Children and families
13. <u>FAMILY SERVICE AGENCY</u>	1669 N. E. St. San Bernardino, CA 92405 (909) 886-6737	Children and families
14. <u>FORENSIC ASSERTIVE COMMUNITY TREATMENT (FACT)</u>	2080 S East St. San Bernardino, CA 92408 (909) 388-9191	Adults 18-59, (Forensic)
15. <u>HIGH DESERT ONE STOP TAY CENTER</u>	14360 St. Andrews Dr., Ste 11 Victorville, CA 92395 (760) 245-4695	Transitional Age Youth, 18-25
16. <u>MEMBER ASSERTIVE POSITIVE SOLUTIONS (MAP)</u>	2080 S. E St. San Bernardino, CA 92408 (909) 388-9191	Adults, 18-59
17. <u>MORONGO BASIN MENTAL HEALTH</u>	55475 Santa Fe Trail Yucca Valley, CA 92284 (760) 365-5923	Adults, 18-59
18. <u>MORONGO ONE STOP TAY CENTER</u>	58945 Business Center Dr., #3 Yucca Valley, CA 92284 (760) 228-9657	Transitional Age Youth, 18-25
19. <u>VISTA GUIDANCE CENTER</u>	1323 W. Colton Ave. Redlands, CA 92374 (909) 355-7067	Children and adults
20. <u>WEST END ONE STOP TAY CENTER</u>	9047 Arrow Route, Suite 170 Rancho Cucamonga, CA 91730 1-877-760-0770	Transitional Age Youth, 18-25

**MENTAL HEALTH SERVICES ACT (MHSA) HOUSING
PROGRAM**

TERM SHEET AND PROGRAM DESCRIPTION

PUBLISHED BY THE CALIFORNIA HOUSING FINANCE AGENCY



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

<p>Program Description</p>	<p>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).</p>
<p>Permanent Loans</p>	<ul style="list-style-type: none"> • 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. • 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. • 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. • 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. • 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.
<p>Fees, Rates and Terms</p>	<ul style="list-style-type: none"> • 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 MHPA 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 MHPA 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 MHPA 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 MHPA 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 MHPA Housing Program permanent loan.
- If applicable, the loan term for Rental Housing Developments with HUD 811 loans shall be consistent with HUD requirements.

<p>Approved Housing Types</p>	<ul style="list-style-type: none"> • Both Rental Housing Developments and Shared Housing Developments are permitted as defined below. • Master leasing is not allowed.
<p>Shared Housing Developments</p>	<ul style="list-style-type: none"> • A Shared Housing Development is a residential building that contains one or 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.
<p>Rental Housing Developments</p>	<ul style="list-style-type: none"> • A Rental Housing Development is an apartment building or buildings with no 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 than 5

	<p>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.</p> <ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Applications shall be submitted to DMH and CalHFA via county mental health departments, which shall apply for funding in conjunction with and on behalf

	<p>of a qualified developer/borrower.</p> <ul style="list-style-type: none"> • The submission by the county mental health department will signify the county's approval of all of the following; <ul style="list-style-type: none"> ❖ 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.
<p>Qualified Developers and Borrowers</p>	<ul style="list-style-type: none"> • Qualified developers include: <ul style="list-style-type: none"> ❖ 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:

	<ul style="list-style-type: none"> ❖ 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. <ul style="list-style-type: none"> • The borrower also must be organized as either <ul style="list-style-type: none"> ❖ 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.
<p>MHSA Loan Allocations Per County</p>	<ul style="list-style-type: none"> • 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.
<p>Small Counties</p>	<ul style="list-style-type: none"> • 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.

<p>Allowable Non-MHSA Funding Sources</p>	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ➤ 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.
<p>Subordinate Financing</p>	<ul style="list-style-type: none"> • 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

	<p>federal and local sources, provided that those loans are twice the amount of the MHSA Housing Program permanent loan or larger.</p> <ul style="list-style-type: none"> • 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.
<p>Rent and Occupancy Requirements</p>	<ul style="list-style-type: none"> • 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 for 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: <ul style="list-style-type: none"> ❖ 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 Requirements	<ul style="list-style-type: none"> • A minimum of three months of the first year's anticipated operating cost, but 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 Costs and General Requirements	<ul style="list-style-type: none"> • All costs normally allowed as development costs for supportive housing by CalHFA are allowable costs for MHSA Housing Program loans. • 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 Capitalized Operating Subsidy Reserve	<ul style="list-style-type: none"> • The borrower and the county mental health department may apply for a reservation of capitalized operating subsidies for the MHSA Housing Program units up to a maximum of \$100,000 per unit. • Starting on January 1, 2009 the capitalized operating subsidy reserve

	<p>amount will be adjusted each year by a 4% inflation factor</p> <ul style="list-style-type: none"> • 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. <ul style="list-style-type: none"> ❖ 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.

	<ul style="list-style-type: none"> ➤ Deferred Developer fees, if any, attributable to the COS MHA Units. ➤ Service coordinator salaries and benefits attributable to the COS MHA Units. <ul style="list-style-type: none"> • 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 MHA Housing Program as adjusted for inflation, the operating costs of any non-MHA Unit, the operating costs of any MHA 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.
<p>Occupancy Requirements, and Reduction or Termination of MHA the Capitalized Operating Subsidy Reserve</p>	<ul style="list-style-type: none"> • Occupancy will be reviewed annually for compliance with MHA regulations. • Capitalized operating subsidies will be reduced or terminated for developments that do not rent their MHA Housing Program units to MHA eligible residents. • Capitalized operating subsidies will be reduced or terminated for MHA Housing Program units when the MHA eligible resident has a housing choice voucher (HCV), absent mitigating circumstances. • Capitalized operating subsidies will be reduced or terminated for MHA units that receive project-based rental subsidies from other sources. • Capitalized operating subsidies are only available while an MHA 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: <ul style="list-style-type: none"> ❖ Capitalized operating subsidies may continue for up to two months upon vacancy of an MHA Housing Program unit that receives capitalized operating subsidies. ❖ Capitalized operating subsidies will continue if the MHA eligible resident is in a hospital, an acute or long-term care facility, or other institutional setting for up to three months, provided the MHA eligible resident is expected to return within the three-month period, and provided that the MHA tenant portion of the rent is kept current; ❖ Capitalized operating subsidies will continue through the end of the three-month grace period following the date the MHA eligible resident moves out of the unit when the eligible resident resides in the unit with other household members who are not MHA eligible residents; and • If family members who are not MHA eligible residents continue to reside in the unit after the MHA eligible resident is no longer in residence, they must be given timely legal notice that (1) the capitalized operating subsidy will be

	<p>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.</p>
Asset Management	<ul style="list-style-type: none"> • CalHFA will hold capitalized operating subsidies in a reserve and disburse it 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 Services	<ul style="list-style-type: none"> • The borrower must provide a clearly articulated supportive services delivery 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

	<p>the same entity, provided that there is a clear separation of staff and a clear delineation of their separate roles and responsibilities.</p>
<p>MHSA Housing Program Target Population & Certification Requirements</p>	<ul style="list-style-type: none"> • DMH has defined the MHSA target population for the purposes of the MHSA Housing Program, as individuals who meet the following criteria: <ul style="list-style-type: none"> ❖ (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: <ul style="list-style-type: none"> ➤ 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.
<p>Application Process</p>	<p>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”).</p> <p>Please see the most recent term sheet on the CalHFA website at http://www.calhfa.ca.gov/multifamily/mhsa/index.htm.</p>
<p>Due Diligence</p>	<p>The due diligence reports listed below are required for all developments. Preparation of reports will be at the developer’s/ borrower’s expense:</p> <ul style="list-style-type: none"> • 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.

	<p>Please see the MHPA guidelines for Shared Housing Developments Acquisition Rehabilitation Projects on our website. Acquisition Rehab Shared Housing Developments will be reviewed in accordance with those recommendations.</p>
<p>Predevelopment Loans</p>	<ul style="list-style-type: none"> • Predevelopment loans of up to \$500,000 will be available to all Rental Housing Developments that have received an MHPA 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 MHPA 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 MHPA 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 MHPA 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% MHPA 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 MHPA 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.
<p>Reporting</p>	<ul style="list-style-type: none"> • 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 MHPA eligible residents, on an MHPA Housing Program Annual Self-Certification form (see CalHFA website).

	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ❖ 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.
<p>Exception Process</p>	<p>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.</p> <p>It should be noted that only the county mental health department may request an increase in the allowable maximum loan amount.</p> <p>No exceptions will be considered for any form of leased housing, deviations from serving the target population or from the approved housing types.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p>Questions</p>	<p>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.</p> <p>Financing questions regarding the MHSA Housing Program may be directed to</p>

	<p>CalHFA's Multifamily Programs Division:</p> <p>Kathy Weremiuk, Special Lending Program Manager Phone: (310) 342-1256; Fax: (310) 342-1225 Email: kweremiuk@calhfa.ca.gov</p> <p>Nanette Guevara, Loan Officer Phone: (916) 324-9844; Fax: (916) 327-5115 Email: nquevara@calhfa.ca.gov</p> <p>Tina Ilvonen, Loan Officer Consultant Phone: (206) 517-9961; Fax: (206) 517-3141 Email: tilvonen@calhfa.ca.gov</p> <p>Questions on the Mental Health Services Act and DMH regulations may be directed to DMH's MHSA Special Projects unit:</p> <p>Jane Laciste, Chief, Special Projects Phone: (916) 654-3529 Email: jane.laciste@dmh.ca.gov</p>
--	---

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

**SAN BERNARDINO COUNTY MHSA HOUSING PROGRAM
DEVELOPMENT DESCRIPTION POSTING FORM**

Name and location of the proposed project:
Description of the housing development project (type of project, number of units, and affordability levels by unit size):
Tenant populations:
A. Target Population(s)
B. Target income levels (affordability mix)
Description of how the building(s) in the project meet the housing and services needs of the proposed tenant populations (i.e., location, building design, onsite amenities, and proximity to neighborhood services):

Project benefits and other information (if applicable):
Summary of the project financing (sources)
List of the key development team members, including the property manager: