



# **Mental Health Service Act Housing Program**

# Program Description

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The Mental Health Services Act Housing Program (MHSA Housing Program) provides funding for the capital costs and operating subsidies to develop permanent supportive housing for persons with serious mental illness who are homeless, or at risk of homelessness, and who meet the MHSA Housing Program target population criteria.

# Program Funds

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- ◉ Will Provide up to \$75M annually to finance the development, acquisition, construction or rehabilitation of permanent supportive housing & up to \$40M annually for Operating Subsidies.
- ◉ The initial funding from DMH will be \$400M.
- ◉ Each County will have its own planning estimate of MHSA Housing Program funds.

# Permanent Supportive Housing

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- ⦿ Supportive housing means housing with no limit on length of stay and that is linked to on-site or off-site services.
- ⦿ Services must help the tenant retain the housing, support recovery and resiliency, and maximize the ability to live and work in the community.

# Target Population

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The target population is defined as adults, older adults, transition-age youth with serious mental illness, children with severe emotional disorders and their families, who at the time of assessment for housing services meet the criteria for MHSA Community Services and Supports (CSS) in their county of residence and are homeless or at risk of homelessness.

# Target Population

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Homeless is defined as:

- ⦿ living on the streets or,
- ⦿ lacking a fixed and regular night time residence.  
This includes shelters, motels and other temporary living situations in which the individual has no tenant rights.

# Target Population

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At risk of homelessness includes the following:

- ⊙ transition-age youth exiting child welfare or juvenile justice systems;
- ⊙ individuals discharged from:
  - hospital, including acute psychiatric hospitals, psychiatric health facilities (PHF);
  - skilled nursing facilities (SNF) with a certified special treatment program (STP) for the mentally disordered;
  - mental health rehabilitation centers (MHRC);

# Target Population

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- crisis and transitional residential settings; and
  - city and county jails.
- ⊙ Individuals temporarily placed in a Residential Care Facility upon discharge from one of the above.
  - ⊙ Individuals who have been assessed and are receiving services at the County Mental Health Department, and who have been deemed to be at imminent risk of homelessness, as certified by the County Mental Health Director.



# Housing Models

The MHSA Housing Program provides funding for both Rental Housing and Shared Housing Developments.

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Shared Housing Developments are rented to and shared by two or more unrelated adults, each of whom is a member of the MHSA Housing Program target population.

A Shared Housing Development must:

- ◉ provide a separate lockable bedroom for each adult,
- ◉ ensure each adult tenant has a lease and is responsible for paying rent,
- ◉ be restricted for occupancy to members of the target population, and
- ◉ have a kitchen, bathroom and common living space.

## Housing Models (continued)

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Rental Housing Developments are apartment buildings with 5 or more units.

A Rental Housing Development includes:

- ⦿ both general occupancy buildings and special occupancy buildings,
- ⦿ all units, including SRO units, shall include at a minimum, a sleeping area, a kitchen area, bathroom, and living space, and
- ⦿ restriction for occupancy to members of the target population.

# Types of Rental Housing Developments

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## Single Population Development

A development in which all units are dedicated to housing the MHSA Housing Program target population. This includes all Shared Housing and some Rental Housing Developments.

## “Mixed Population” Development

A Rental Housing Development in which 5 units, or 10% of the units, whichever is greater, are targeted to members of the MHSA Housing Program target population. In buildings with more than 100 units, at least 10 units must be restricted for members of the target population.

# Funding Limits

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- ◉ The MHSA Housing Program will fund one-third of the costs of a Rental Housing Development up to a maximum of \$100,000 per restricted unit.

At a county's request, amounts greater than \$100,000, up to 1/3 of total development costs per targeted rental housing unit, will be considered on an exception basis.

- ◉ The MHSA Housing Program will fund the total cost for Shared Housing up to a maximum of \$100,000 per bedroom.
- ◉ Up to \$100,000 in a Capitalized Operating Subsidy per MHSA Housing Program restricted unit.

# Predevelopment Loans

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- ◉ Up to \$500,000 for Rental Housing Developments
- ◉ Up to \$200,000 for Shared Housing Developments

With An MHSA Housing Program loan commitment,

- Evidence of all other permanent financing commitments, and
- Evidence of site control and evidence of appropriate zoning.

## Terms

- Two years or until construction loan closing, whichever is sooner;
- 3% interest, deferred until construction loan closing and forgiven at construction loan closing.

# Capitalized Operating Subsidies

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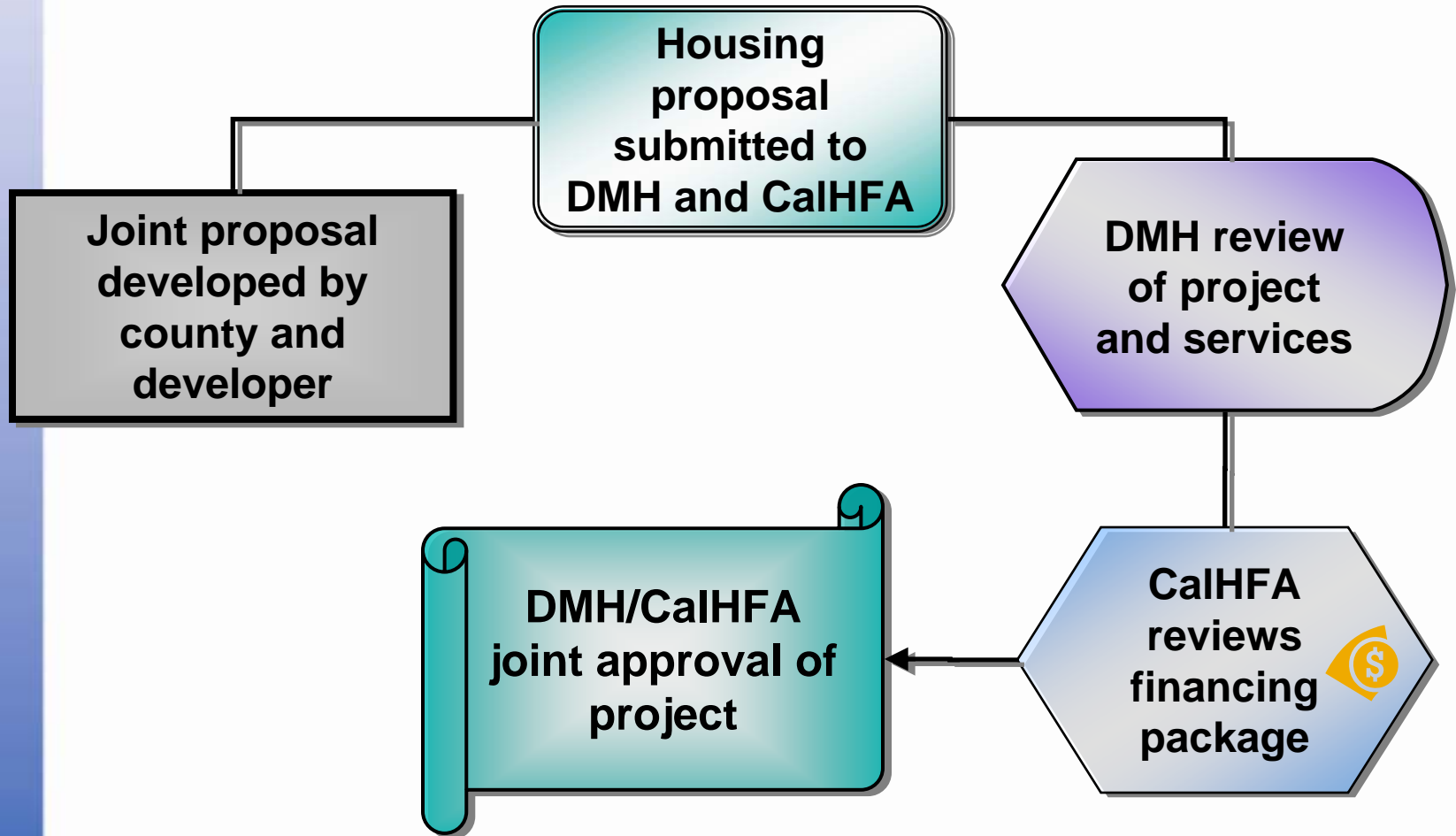
- ◉ Up to \$100,000 per MHSA Housing Program restricted unit for Rental Housing Developments. The maximum amount per Shared Housing Development is yet to be determined but will not exceed \$100,000.
- ◉ Subsidy funds are only available for units that also receive loans from the MHSA Housing Program.
- ◉ Preference will be given to Rental Housing Developments.
- ◉ To receive a capitalized operating subsidy, the developer must apply for and be denied rental or operating subsidies from all other available and appropriate sources in at least one cycle

# Capitalized Operating Subsidies (continued)

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- Capitalized operating subsidy funds may be used to cover the gap between rental income and operating costs of MHSA Housing Program targeted units.
- Capitalized operating subsidies will be sized to provide 18 to 20 years of subsidy, up to the \$100,000/unit cap.
- CalHFA will determine the amount of capitalized operating subsidy award a development receives based on the development's first-year operating budget, a two-and-one-half (2.5) percent annual income escalator, a three-and-one-half (3.5) percent annual cost escalator.

# Application Flowchart





# Application Process

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- ⦿ The MHSA Housing Program application is posted on the DMH and CalHFA websites.
- ⦿ The application includes MHSA Housing Program-specific requirements.
- ⦿ All projects must submit a completed application with all attachments.
- ⦿ Applications may be submitted on an ongoing basis to obtain funding.

# DMH Role

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- ◉ DMH will contract with the County Mental Health Departments to transfer County funds to CalHFA for the MHSA Housing Program.
- ◉ DMH will promulgate regulations for the MHSA Housing Program.
- ◉ DMH will evaluate each applicants proposed target population and supportive service plan.
- ◉ DMH will monitor the ongoing provision of supportive services for the life of each loan.

# CalHFA Role

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- ◉ CalHFA will administer the real estate aspects of the MHSA Housing Program for DMH.
- ◉ CalHFA will underwrite requests for capital funds and capitalized operating subsidies.
- ◉ CalHFA will make loan commitments, close loans and execute and administer subsidy contracts.
- ◉ CalHFA will provide asset management services, including managing the capitalized operating subsidy disbursements until the maturity of the loans.
- ◉ CalHFA will provide investment services.

# County Mental Health Department Role:

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- ◉ The County will work with qualified developers to identify developments which can house the MHSA Housing Program target population, and identify the level of services required at the Development.
- ◉ They will approve the use of their MHSA Housing Program funds for capital loans and capitalized operating subsidies.
- ◉ They commit to providing supportive services to the Development for the full term of the MHSA Housing Program loan.

# Rules of the Application Process

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- ◉ 1 application per development
- ◉ 2 master sets – 1 to DMH, 1 to CalHFA
- ◉ Original signatures on both sets
- ◉ Each set in 3-ring binder
- ◉ Shipping box(es) labeled per Section 4.1-d
- ◉ Organized & tabbed as specified in Section 4.2, with “Not applicable” for items (tabs) that do not apply to your project

# Project Overview/Development Summary Form

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## **Development Information:**

County Mental Health Department: \_\_\_\_\_

Name of Development & Address: \_\_\_\_\_

Development Sponsor \_\_\_\_\_

Primary Service Provider \_\_\_\_\_

New Construction \_\_\_\_\_ Acquisition/Rehabilitation \_\_\_\_\_

Type of development: Rental Housing \_\_\_\_\_ Shared Housing \_\_\_\_\_

Type of building: Apartment Building \_\_\_\_\_ Single Family Home \_\_\_\_\_

Condominium \_\_\_\_\_ Other \_\_\_\_\_

Total number of units \_\_\_\_\_ Total number of MHSA units \_\_\_\_\_

Total cost of the development \_\_\_\_\_ \$ MHSA funds requested \_\_\_\_\_

Request MHSA Funds for Capitalized Operating Subsidies: Yes \_\_\_ No \_\_\_

Other Rental Subsidy sources (list if applicable): \_\_\_\_\_

## **Target Population Information (please check all that apply):**

Adults: \_\_\_ Transition-Age Youth: \_\_\_ Children: \_\_\_ Older Adults: \_\_\_

## **County Contact Information:**

Name & Title \_\_\_\_\_ Phone & E-Mail \_\_\_\_\_

# Application Response

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- ⦿ Section A, Universal Application
  - What is it?
    - ⦿ Application used by developers to apply for funds for rental housing developments
    - ⦿ Used by CalHFA, TCAC, HCD and CDLAC
    - ⦿ Requests basic information needed by all 4 agencies to analyze (underwrite) requests for funds
    - ⦿ Each agency has own supplemental application for items not needed by others

# Application Response (continued)

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- ⦿ Section A, Universal Application (continued)
  - Have developer partner complete. Developers will be using the Universal Application for all of their low-income housing projects
  - For Shared Housing Developments, last 2 items of Universal Application not required
  - For Shared Housing Developments with no developer partner, engaging a financial consultant is highly recommended
  - Contact CalHFA for additional assistance



# Section A: Universal Application

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UA.1: General Information

UA.2: Contact Information

UA.3: Site and Unit Information

UA.4: Miscellaneous Information

UA.5: Rents & Unit Mix Information

UA.6: Subsidy Information

UA.7: Sources of Development Funds (both construction and permanent)

UA.8: Development Budget

UA.9: Permanent Sources and Uses

UA.10: Annual Income and Expenses

UA.11: Cash and Flow Analysis

UA.12: Experience

UA.13: Universal Certification and Identity of Interest Disclosure

UA.14: Legal Status Questionnaire

# Application Response (continued)

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- ⦿ Section B, MHSA Housing Program Supplemental Application (Rental Housing Development)
  - Use Attachment D, MHSA Housing Program Application Index and Checklist, Section B
  - Tab and complete per Section B of the checklist
  - Have developer partner complete

# Section B: Housing Program Supplemental Application (Rental Housing Developments)

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- B.1: Proposed Development Information/Site Control
- B.2: Rents
- B.3: Operating Budget
- B.4: Development Budget
- B.5: Environmental
- B.6: Marketing Analysis/Appraisal
- B.7: Acquisition/Rehabilitation Projects Only
- B.8: Owner/Developer Team Information
- B.9: Evidence of Article 34 Compliance
- B.10: Application Supplement for Developments Applying for Capitalized Operating Subsidies

# Application Response (continued)

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- ⦿ Section C, MHSA Housing Program Supplemental Application (Shared Housing Development)
  - Use Attachment D, MHSA Housing Program Application Index and Checklist, Section C
  - Tab and complete per Section C of the checklist
  - Have developer partner or financial consultant complete
  - Contact CalHFA for additional assistance

# Section C: MHSA Housing Program Supplemental Application (Shared Housing Developments)

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- C.1: Proposed Development Information/Site Control
- C.2: Rents
- C.3: Operating Budget
- C.4: Development Budget
- C.5: Environmental
- C.6: Uniform Residential Appraisal Report
- C.7: Acquisition/Rehabilitation Projects Only
- C.8: Owner/Developer Team Information
- C.9: Evidence of Article 34 Compliance
- C.10: Application Supplement for Developments Applying for  
Capitalized Operating Subsidies

# Section D: MHSA Housing Program Supportive Housing and Services Information

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- D.1: Consistency with Three-Year Program and Expenditure Plan
- D.2: Description of Target Population to be Served
- D.3: Tenant Selection Process
- D.4: Supportive Services Plan
- D.5: Supportive Services Plan Chart
- D.6: Design Considerations for Meeting the Needs of the MHSA Housing Program Target Population
- D.7: Plan for Collecting and Submitting Outcome Data
- D.8: Agreement to Meet DMH Outcome Reporting Requirements
- D.9: County Mental Health Department Sponsorship and Services Verification Form
- D.10: Applicant and Partner Experience Serving Target Population
- D.11: Primary Service Provider Experience Serving target Population
- D.12: memorandum of Understanding with Key Partners
- D.13: Property management Plan
- D.14: Property Management Contract
- D.15: Physical Inspection plans for Shared Housing Developments
- D.16: Summary and Analysis of Stakeholder Input

# Application Response (continued)

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- ⊙ Section D, MHSA Housing Program Supportive Housing and Services Information
  - D.1, Consistency with 3-Year Program and Expenditure Plan
    - ⊙ Describe how proposed development is consistent with county CSS planning process and approved 3-year plan
    - ⊙ Provide specific information on how development meets plan priorities and goals

# Application Response (continued)

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- D.2, Description of Target Population to be Served
  - ⊙ Describe target population to be served in development
  - ⊙ Include description of special needs and income level of the population



# Application Response (continued)

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- D.3, Tenant Selection Plan
  - ⊙ Tenant Selection Plan must be specific to development to be funded and jointly created by development partners, including county mental health department, primary service provider, property manager, and borrower

# Application Response (continued)

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- D.3, Tenant Selection Plan (continued)
  - ⊙ Plan must be in narrative form and describe:
    - How prospective tenants will be referred to and selected for the development
    - Criteria used to determine tenant eligibility to be housed in the development
    - How criteria are consistent with county CSS Plan and MHSA Housing Program target populations
    - Reasonable accommodation policies and protocols as they relate to targeting and tenant screening
    - Appeals process for those denied tenancy

# Application Response (continued)

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- D.3, Tenant Selection Plan (continued)
  - ⊙ Submit copy of county mental health department's Tenant Referral and Certification Process (see Attachment E), which must describe:
    - How individual applies to county to be certified as eligible for the housing program
    - How county will determine whether individual meets certification requirements
    - How county will refer certified tenants to the development, including county referral process during rent-up and ongoing
    - If non-county agencies can certify, which agencies and how they will conduct required activities

# Application Response (continued)

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- D.4, Supportive Services Plan
  - ⊙ Describe approach to providing supportive services to the target population, including:
    - Services to be provided (where & how delivered, frequency, primary service provider, other community linkages)
    - Understanding of target population needs/issues in supportive housing (both FSP and non-FSP) & process for assessing service needs
    - Plan for helping tenants maintain housing and achieve independence

# Application Response (continued)

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- D.4, Supportive Services Plan (continued)
  - ⊙ Describe approach to providing supportive services to the target population (continued):
    - How services will support housing stability, wellness, recovery and resiliency
    - Strategies for engaging tenants in supportive services and community life
    - Plan for communication between service provider and property management regarding tenant status

# Application Response (continued)

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- D.5, Supportive Services Chart
  - ⦿ Insert completed Attachment F, Supportive Services Chart
  - ⦿ List all services to be provided to tenants of MHSA Housing Program units, including in-kind services essential to success

# Application Response (continued)

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- D.6, Design Considerations for Meeting the Needs of the MHSA Housing Program Target Population
  - ⊙ Describe physical space where services are to be delivered & how it will be designed to meet needs of target population
  - ⊙ Describe how residential units will be designed to meet target population needs
  - ⊙ Describe how residential units will meet needs of any physically handicapped members of target population

# Application Response (continued)

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- D.7, Plan for Collecting and Submitting Outcome Data
  - ⊙ Describe county plan for collection and submission per State DMH requirements
  - ⊙ Identify responsible staff and provide contact information
- D.8, Agreement to Meet DMH Outcome Reporting Requirements
  - ⊙ Include completed, signed copy of Attachment G, Agreement to Meet DMH Outcome Reporting Requirements



# Application Response (continued)

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- D.9, County Mental Health Department Sponsorship and Services Verification Form
  - ⊙ County must confirm that applicant and all partners agree to comply with DMH outcome reporting requirements
  - ⊙ Include completed, signed copy of Attachment H, County Mental Health Department Sponsorship and Services Verification Form

# Application Response (continued)

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- D.10, Applicant and Partner Experience Serving Target Population
  - ⊙ Narrative must demonstrate applicant and partner experience in successfully developing housing for, and providing supportive housing to tenants with serious mental illness (SMI).
    - Describe background and experience of applicant and primary development partners
    - Identify and describe other similar developments in which each partner has been involved
    - Describe history of applicant relationship with partners on projects serving tenants with SMI

# Application Response (continued)

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- D.11, Primary Service Provider Experience Serving Target Population
  - ⊙ Identify primary service provider and demonstrate its experience in successfully delivery services to tenants with SMI
    - Identify & describe developments where the provider served tenants with SMI
    - Specify provider's experience in providing services to assist tenants with SMI to retain their housing
    - Provide data for each experience cited, including name, # of units for tenants with SMI, services provided, when provided, & # served annually

# Application Response (continued)

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- D.11, Primary Service Provider Experience Serving Target Population (continued)
  - ⦿ If no designated primary service provider at time of application, designate county
  - ⦿ County must make final identification of primary service provider, with updated D.11 submission, prior to loan closing

# Application Response (continued)

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- D.12, Memorandum of Understanding with Key Partners
  - ⊙ Submit written Memorandum of Understanding between borrower, primary service provider, property management agent and county - condition of loan closing
  - ⊙ Document roles and responsibilities of each, each partner's willingness to carry out, and procedures for communication and decision - making (between property management agent and service provider)

# Application Response (continued)

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- D.13, Property Management Plan
  - ⊙ Roles/responsibilities of property manager
  - ⊙ How property management rules address issues/needs of target population
  - ⊙ Procedures for communication between property management & services staff
  - ⊙ How property management will be staffed
  - ⊙ Management fee structure, showing charges to development for management services

# Application Response (continued)

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- D.14, Property Management Contract
  - ⊙ Include copy of management contract or letter of interest from proposed property management agent indicating willingness to contract to provide property management services to development.
  - ⊙ The contract must include ability to terminate with or without cause on 30 days notice.

# Application Response (continued)

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- D.15, Physical Inspection Plans for Shared Housing Developments
  - ⦿ For Shared Housing Developments, no inspections by CalHFA, but third-party inspections are required
  - ⦿ Describe who will conduct annual housing quality control physical inspections
  - ⦿ Describe methodology
  - ⦿ Describe how, when & in what format inspection results will be sent to CalHFA



# Application Response (continued)

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- D.16, Summary and Analysis of Stakeholder Input
  - ⊙ Submit documentation of local review/stakeholder process, including:
    - Description of methods used to circulate Project Overview and Items D.1 through D.5 for comment
    - Proof of circulation of Project Overview and Items D.1 through D.5
    - Description of any substantive changes made

# Review & Evaluation of Applications

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- ◉ DMH will evaluate all information submitted in Section D
- ◉ DMH has contracted with CalHFA to evaluate all information submitted in Sections A, B and C
- ◉ Review will take about 60 days from receipt of completed application (including receipt of missing items and responses to requests for additional information)
- ◉ Final commitment will be issued upon approval by both DMH and CalHFA



# **Additional Program Requirements**

# Rental Limits

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- ◉ Rents in MHSA Housing Program targeted units must be restricted to 30 percent of 50 percent or less of area median income (as adjusted by household size). This applies to all MHSA HP units.
- ◉ In units which receive MHSA HP Capitalized Operating Subsidies, the tenant portion of the restricted rent must be set at:
  - no lower than 30 % of the current Supplemental Security Income/State Supplemental Program (SSI/SSP) grant amount for a single individual living independently, or
  - 30 % of total household income, whichever is higher.

# Income Limits

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There are no income limits for MHSA Housing Units, just rental limits provided that:

- ⦿ The MHSA tenant is a member of the target population.
- ⦿ The unit qualifies for the California Welfare Tax exemption.

The unit can be income restricted by other funding sources.

# Loan Terms

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- ◉ An administrative fee of 0.42% of the outstanding principal balance shall be due and payable annually, paid to CalHFA.
- ◉ A 1% fee on the capital loans.
- ◉ Interest and principal payments will be made from net cash flow (residual receipts).
- ◉ The interest rate on Rental Housing Developments and Shared Housing Developments will be fixed at 3%.
- ◉ 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.

# Qualified Borrowers

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- ⦿ Borrowers with a track record of successful housing development and a history of serving the target population.
- ⦿ Borrowers with a track record of successful housing development but with no history of serving the target population, and with a strong contract/MOU with a qualified service provider and property manager, and qualified consultants who have worked successfully with developers to house the target population.

## Qualified Borrowers (continued)

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- ◉ A qualified supportive services provider with a joint venture developer partner with a history of successful development, who has entered into a contract/MOU with a qualified property manager, and has qualified consultants who have worked history 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 development and that has entered into a contract/MOU with a qualified property manager.
- ◉ For a Shared Housing Development that consists of a condominium, single family home, duplex, triplex and/or four-plex, an appropriate agency of the county.



# Borrowers Must Be

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- ◉ 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,
- ◉ a LLC whose sole member or members are 501(c)(3) corporations,
- ◉ an affiliate of a local redevelopment agency, local housing authority or the county created to hold properties financed with MHSA Housing Program funding, and
- ◉ Organized as either a single asset entity (in the case of a LP or LLC), or as a separate legal entity that only holds properties that have MHSA Housing Program funding, as appropriate.