



MHSA HOUSING PROGRAM

BACKGROUND,

AND

INFORMATION ABOUT THE
APPLICATION, COMMITMENT
AND FUNDING PROCESSES

February 1, 2011

Introduction

The California Department of Mental Health (DMH), the California Housing Finance Agency (CalHFA) and the County Mental Health Directors Association have implemented the MHSA Housing Program which provides funding for development, acquisition, construction and/or rehabilitation of permanent supportive housing for individuals and their families who have a mental illness and are homeless, or at risk of homelessness.

Executive Order S-07-06, signed by Governor Schwarzenegger on May 12, 2006, mandated the establishment of the MHSA Housing Program, with the stated goal of creating 10,000 additional units of permanent supportive housing for this population. The program is jointly administered by DMH and CalHFA. During the application review and evaluation process, CalHFA will underwrite requests for capital funds and capitalized operating subsidies, while DMH will evaluate each applicant's proposed target population and Supportive Services Plan. Once funds are awarded, CalHFA will oversee all housing and financial aspects of the development and DMH will oversee provision of services, including continuing assessment as to whether the services match tenant needs and support the individual's recovery.

Funds provided under this program must serve the MHSA Housing Program target population. Capital funds may be used for either Rental Housing Developments or Shared Housing Developments. For Rental Housing Developments, applicants will also be required to obtain capital funds from a range of programs administered by other agencies including, but not limited to, the Department of Housing and Community Development (HCD), CalHFA, the Tax Credit Allocation Committee (TCAC), localities, and the federal Department of Housing and Urban Development (HUD). However, for Shared Housing Developments, funds from this new program may be used to cover all capital costs up to the funding limits specified in the term sheet.

While the MHSA Housing Program application process is the same for both large and small counties and is designed to meet the myriad of needs across the state, a more flexible process is available to small counties applying for program funds. Specifically, counties may request exceptions from various requirements, and enhanced technical support is available to counties upon request, to assist them in completing the application process.

The MHSA asks the State of California to transform the way in which it has delivered mental health services to individuals with serious mental illness. Over the past decade or more, this transformation had already begun through the implementation of several pilot programs, each with the goal of moving beyond the mental health clinic setting to offer a much wider array of services and supports to consumers in community settings, enhancing their recovery efforts and their opportunities for independent living.

The MHSA Housing Program embodies both the individual and system transformational goals of the MHSA through a unique collaboration among government agencies at the local and State level. The partners in this system collaboration include CalHFA, with their housing and financial expertise; DMH, with responsibility for overseeing the mental health system and ensuring that consumers have access to an appropriate array of services and supports; and county mental health departments, which have ultimate responsibility for the design and delivery of mental health services and supports throughout the State. Through this collaboration, the MHSA Housing Program continues to transform the mental health system, offering consumers housing and supportive services that will enable them to live more independently in our communities.

Technical Assistance

Recognizing the challenges of creating and operating housing, DMH has contracted for technical assistance (TA) services. Technical assistance is available at no cost to counties to help County Mental Health Departments (“Counties”) build capacity for development and/or service planning, to support the creation of MHSA Housing Program applications, and to learn about successful practices in developing and operating permanent supportive housing for special needs populations. Counties are encouraged to access this technical assistance frequently as they build partnerships, plan for the capital and service components of projects, complete application procedures, and prepare for lease up and operations.

Counties may request technical assistance by contacting DMH and describing their need. A TA provider will be assigned based on the request and the required expertise. Assistance can be provided to projects in a variety of formats – from face to face meetings to telephone and email exchanges.

Program Summary

The program makes permanent financing and capitalized operating subsidies available for the purpose of developing 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. A total of \$400 million has been set aside for initial funding of the program. This amount will fund both capital costs and capitalized operating subsidies. Continued funding of the program will be a locally driven decision as a county determines whether to assign additional MHSA funding beyond the original \$400 million.

MHSA Community Services and Supports Plan

In order for a development to be eligible for MHSA Housing Program funding, it must be consistent with the priorities identified in the Community Services and Supports (CSS) component of the county’s Three-Year Program and Expenditure Plan. This requirement is designed to foster the goal of establishing and strengthening partnerships at the local/county level, resulting in a development that reflects local priorities while expanding safe, affordable housing options for individuals with serious mental illness who receive services through the MHSA.

All parties should be aware that county mental health departments are required to follow the provisions of Welfare and Institutions Code (W&I) Sections 5847 and 5848 and relevant regulations in the preparation and submission of any proposals or applications for new MHSA-funded developments and programs. This includes posting Section D items, including the Project Overview, and MHSA Housing Program Supportive Housing and Services Information, Items D.1 through D.9, of their application for review and comment by stakeholders for at least 30 days, pursuant to the requirements of W&I 5848. The county is also required to submit a summary and analysis of any substantive recommendations and revisions made as a result of stakeholder input. MHSA Housing Program applications are updates to the county’s CSS component of its Three-Year Program and Expenditure Plan and, as such, a public hearing is not required.

Additionally, prior to approval of any application for MHSA Housing Program funding, the county mental health department must have an executed MHSA Agreement (or other successor document, as prescribed by DMH) with the necessary language providing authority for the transfer of funds to CalHFA. For purposes of this document, a county mental health department

includes the City of Berkeley and Tri-Cities mental health departments pursuant to Welfare and Institutions Code Section 5897(a).

MHSA Housing Program Target Population

The State of California recognizes that there is currently, and will continue to be for the foreseeable future, inadequate funding to provide permanent supportive housing for all those with serious mental illness who need it. The MHSA Housing Program is primarily intended to provide funding to create permanent supportive housing with services for individuals with serious mental illness who are homeless. Secondly, and in keeping with the values of the MHSA, the State believes that individuals should not have to 'fail first' and become homeless in order to become eligible for supportive housing; rather, individuals identified as "at risk of homelessness" are eligible for the housing and supports available under this program. Please note that "at risk of homelessness," as used here, is a definition unique to the MHSA Housing Program and is not applicable to other local, State or federal housing programs.

DMH has defined the MHSA Housing Program target population as low-income adults, or older adults with serious mental illness, and children with severe emotional disorders and their families who, at the time of assessment for housing services, meet the criteria for MHSA services in their county of residence and are homeless or at risk for homelessness, as defined below. The county mental health department, or its designee, will certify the target population eligibility of individuals and/or families.

For the purposes of this program, the following definitions and criteria apply to the target population:

1. Adults or Older Adults means adults with serious mental illness as defined in Welfare and Institutions Code Section 5600.3 (b) (1).
2. Children or adolescents with severe emotional disorders as defined in Welfare and Institutions Code 5600.3 (a) (1), and their families.
3. "Homeless" means living on the streets, or lacking a fixed, regular, and adequate nighttime residence. (This includes shelters, motels and living situations in which the individual has no tenant rights.)
4. Individuals who are "at risk of homelessness" include:
 - Transition-age youth (as defined in Welfare and Institutions Code Section 5847(c), and in Title 9, California Code of Regulations, Section 3200.80) exiting the child welfare or juvenile justice systems
 - Individuals discharged from institutional settings including:
 - Hospitals, including acute psychiatric hospitals, psychiatric health facilities (PHF), skilled nursing facilities (SNF) with a certified special treatment program for the mentally disordered (STP), and mental health rehabilitation centers (MHRC)
 - Crisis and transitional residential settings
 - Individuals released from local city or county jails

- Individuals temporarily placed in Residential Care Facilities upon discharge from one of the institutional settings cited 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.

Please note that for purposes of housing law, seniors and homeless youth are defined by housing law and the definitions are different than those found for older adults and transition aged youth in the Welfare and Institutions code.

Licensing Considerations

Applicants must comply with applicable laws relating to facility licensure and related zoning requirements. The MHSA Housing Program makes funding available only for developments that will offer independent housing with supportive services. Funds are not available for developments that require licensure of any kind. In order for a developer to determine whether a proposed development is subject to Community Care Licensing requirements, it is usually necessary to examine all of the following:

- The needs of the tenants who reside in the development
- The development's ownership and building type
- The services provided in conjunction with the housing, and
- The relationships among the property owner, property management agent, service provider(s) and tenants.

For guidance in this area, see the *Supportive Housing Licensing Guidelines, May 2005*, available on the DMH website at <http://www.dmh.ca.gov/mhsa/Housing.asp>. Applicants are advised to seek legal advice on this issue.

Fair Housing Considerations

Applicants must comply with both fair housing laws and MHSA Housing Program target population requirements. Applicants are advised to seek legal advice on this issue as neither CalHFA, DMH nor the Counties are reviewing applications for Fair Housing compliance.

SSI Considerations

Applicants should be aware that the manner in which they organize their project (development) may impact the Supplemental Security Income (SSI) eligibility of their tenants. For instance, in-kind food, clothing or shelter may be counted as income to the individual, depending upon the circumstances of the particular development. Applicants are advised to seek legal advice on this issue.

Article 34

Applicants should be aware that their developments may be subject to Article 34 of the State Constitution, and CalHFA may require an Article 34 legal opinion depending upon the particular circumstances of the development. Applicants are advised to seek legal advice on this issue.

Prevailing Wage

Use of MHSA Housing Program funds may trigger State prevailing wage requirements. Applicants are advised to seek legal advice on this issue.

Accessibility Considerations

Developments must meet Americans with Disabilities Act (ADA) and fair housing accessibility requirements depending on the particular circumstances of the development. Developments that utilize federal funding may be required to meet Section 504 requirements. Applicants are advised to seek legal advice and advice from the project architect on this issue.

Rules of the Application Process

Applicants must adhere to the following requirements when submitting an application for MHSA Housing Program capital and/or operating subsidy funds:

- a. Only one application may be submitted per development. Each application must meet all requirements set forth in the application and the Term Sheet. Please see the CalHFA and/or DMH web site for the most recent application and term sheet.
- b. Two master sets of the application must be submitted—one to DMH and one to CalHFA—at the following addresses:

California Department of Mental Health
MHSA Plan Reviews and Community Program Support
Attention: Jane Laciste, Chief
1600 9th Street, Room 150
Sacramento, CA 95814

California Housing Finance Agency
Kathy Weremiuk
C/O Sheila Felder, Loan Administrator - Multifamily Programs
100 Corporate Pointe, Suite 250
Culver City, CA 90230

- c. Each master set must be submitted in a three-ring binder. With each hardcopy application a CD or thumb drive containing the entire application is required with each copy of the application, that has each document labeled on the CD to match the numbered items on the Application Checklist.
- d. The boxes in which each master set is submitted must be labeled as follows: "MHSA Housing Program Application." Each box must also show the name and address of the applicant organization.
- e. Certain forms in the application require signatures. Both master sets must include original signatures.
- f. The application must be organized as specified in the application's General Instructions and match the Application Checklist.
- g. For items that are not applicable to the application, a sheet must be placed behind the corresponding tab, stating "Not Applicable."
- h. All items in Sections A, C and D of the Rental Housing Application must be submitted at time of Application. If an item in Section B (the due diligence checklist) is not available, a sheet may be placed behind the corresponding tab, stating "Not Applicable", or "To be submitted".

Public Records Act

Information provided in applications submitted to the DMH and CalHFA will become public record and are available for review by the public pursuant to the Public Records Act. As such, any materials provided will be disclosed to any person making a public records request. Therefore, applicants should use discretion in providing information that is not specifically requested, including but not limited to, bank account numbers, personal phone numbers and home addresses. By providing this information, the applicant is waiving any claim of confidentiality and consents to the disclosure of all submitted material upon request.

CalHFA Loan Underwriting Process

This section provides information regarding the loan processing requirements under the MHSA Housing Program. Specific loan terms and conditions are separately delineated in the MHSA Housing Program Term Sheet.

Loan Process

The major stages of the loan process are:

- Application for loan (and predevelopment loan and capitalized operating subsidies, if appropriate) and review of submitted materials
- Site Visit and Concept Meeting
- Evaluation of submitted materials
- Loan Approval and issuance of a Final Commitment
- Predevelopment Loan Close, if applicable
- Construction/Permanent MHSA Housing Program Loan Close & execution of the Capitalized Operating Subsidy Reserve Agreement, if applicable
- Completion of Construction
- Regulatory compliance period

Prior to submitting an application, development sponsors and developers are encouraged to discuss their developments with CalHFA staff, and to familiarize themselves with the MHSA Housing Program processing requirements.

Application and Review of Submitted Materials

The application package (including the Universal Application and the applicable MHSA Housing Program Supplemental Application) provides CalHFA with the information it needs to underwrite the loan and determine whether the development complies with program requirements.

The underwriting process for MHSA Housing Program loan applications will begin with CalHFA's receipt of one complete application and CD of the complete application. Once CalHFA receives the application, it will be reviewed for substantial completeness. The developer and/or county that submitted the application will be contacted and a Concept Meeting will be scheduled.

Preapproval of Shared Housing Applications for Multiple Shared Housing Developments and / or a Single Shared Housing Development Prior to Selection of a Specific Site:

Applicants for shared housing developments have the option of submitting for funding approval in advance of identifying a specific property or properties. This “blanket allocation” process applies to both an application of a single shared housing development or multiple shared housing developments.

Applicants for a blanket allocation of MHSA funds must submit sections C & D of the Shared Housing Application to both CalHFA and State DMH. CalHFA will review the experience of the developer/applicant and DMH will review the proposed service plan, and if acceptable, CalHFA will prepare a summary for Senior Loan Committee review and approval. Once approved, the Agency will issue a Final Commitment which is subject to the receipt of Sections A & B of the Shared Housing Application for each proposed shared housing development approved by the CalHFA loan committee.

Supplemental commitments will be issued for each approved site specific shared housing development under the blanket allocation once each property is identified and put under contract, section A & B have been submitted, and CalHFA has underwritten the development and deemed it feasible.

Site Visit and Concept Meeting

The purpose of the Concept Meeting is to bring the key processing staff from CalHFA, State DMH, County DMH, service provider and the developer together to review the scope of the development, discuss processing requirements, identify and address specific development issues, determine the feasibility of the development, see the site, and establish the timeline for the loan closing. A CalHFA Inspector or Loan Office may visit the site independently if CalHFA determines there’s no need for a Concept Meeting. For an acquisition/rehabilitation rental housing project, a Physical Needs Assessment (PNA), or for Shared Housing, home inspection reports, are required prior to the Concept Meeting so they can be discussed during the Concept Meeting.

CalHFA recommends that the borrower include the following representatives in the Concept Meeting:

- Borrower's principals
- Consultants
- General Contractor (if known)
- Other Lenders (if applicable)
- Investor representatives (if applicable)
- Property management agent
- Primary service provider(s)
- County mental health department representative

At the Concept Meeting, the borrower is expected to discuss the proposed development, including at a minimum:

- Borrower’s loan request
- Market conditions (if applicable)
- Anticipated sources and uses of funds, including construction loan, amortizing debt (if applicable), residual and deferred debt, grants, and tax credits (if applicable)
- Order of debt priority (if known and if applicable)

- Development team
- Status of Plans and specifications
- Status of planning, building and zoning approvals
- Environmental conditions and other similar Issues
- Capitalized operating subsidy request (if applicable), and other sources of rental or operating subsidy for which the borrower has applied
- Target population
- Supportive Services Plan
- Predevelopment funding needs (if applicable)

The plans and specifications may be reviewed by CalHFA at CalHFA's discretion, either at the Concept Meeting or prior to loan closing. CalHFA may review preliminary design drawings and Plans and Specifications against the MHSA housing program design criteria contained in the Term Sheet or the CalHFA Guidelines for Shared Housing Developments, as applicable. These may be found on CalHFA's website: <http://www.calhfa.ca.gov/multifamily/mhsa/index.htm> During the Concept Meeting, CalHFA staff will review the requirements for loan processing, discuss the feasibility of the development, and discuss any other issues identified during their review of the application package. State DMH staff will review the requirements for approval of the supportive requirements components and will discuss any issues identified during their review of the application package.

Evaluation of Submitted Materials

During the evaluation of submitted materials, all application information, CalHFA-required studies, and any other information requested by the Loan Officer from the applicant, will be analyzed to determine the feasibility of the development and conformance with the MHSA Term Sheet. CalHFA will complete its evaluation no later than 60 days after it receives a completed application and any additional requested information.

NOTE: During this time, the Applicant should establish the required single asset, or sole purpose entity that the MHSA loan will be made to because the MHSA funding commitment must be made to the eligible Borrowing entity. See the MHSA Term Sheet for the eligible types of borrowing entities.

Included in the CalHFA's loan processing requirements for Rental Housing Developments are a number of studies and other submittals (at the borrower's expense), which must be submitted during the underwriting process and may include but are not limited to:

- Market Study;
- Purchase Appraisal.
- MAI Appraisal stating the value upon completion NOTE: CalHFA may agree to accept another lender's or investor's MAI appraisal.
- Phase 1 Environmental Report, to identify environmental concerns
- Preliminary design drawings and specifications, including all off-site improvements required in connection with the proposed development, and including sufficient service space for the supportive services program, as appropriate;
- A replacement reserve needs analysis (for rehab projects)

- Site Survey (ALTA Survey), which must show all site details; (required for all new rental housing construction and for rehab if there will be changes to the building envelope)

NOTE: For shared housing developments a 1-4 unit Fannie Mae or Freddie Mac purchase appraisal is acceptable.

CalHFA may, at its discretion and when appropriate, allow the developer to submit the market study, MAI appraisal, and/or ALTA survey at a later date, but CalHFA will require these items to be submitted as a special condition of loan closing/funding.

Acquisition/rehabilitation developments require the following submittals during the underwriting process (prior to loan closing):

- Physical Needs Assessment (rental housing) or building inspection report (shared housing) as appropriate. In either case, the assessment/inspection must also estimate the remaining useful life of systems and appliances and will be incorporated in the Agency's determination of replacement reserves;
- Lead Paint, Asbestos and Mold studies, as appropriate;
- Sewer Camera Report;
- Termite and Dry Rot Report;
- Narrative scope of work; and
- Plans and Specifications, (following agreement on the scope of work between CalHFA and the borrower) including an itemized cost breakdown.

The rehabilitation plans and specifications and the itemized cost breakdown may be deferred by CalHFA as conditions of funding, where appropriate.

Earthquake insurance is not required for MHSA Housing Program loans.

Final Commitment

When the required loan underwriting is complete, and the Supportive Services Plan has been approved by DMH, a Final Commitment request will be prepared by Multifamily Programs staff, that includes a cash flow analysis with all supporting documentation outlining the costs of the development, the terms and conditions of the financing, and related financing fees.

The Final Commitment package will then be presented for review and approval by CalHFA Senior Staff. CalHFA Senior Staff, as part of their approval authority, may approve a loan request, deny a loan request and/or impose additional conditions of approval.

Following loan approval, an MHSA commitment package outlining the terms and conditions of the MHSA funding commitment will be prepared and sent to the sponsor/borrower for signature, with a copy to County DMH. Payment of half of the loan origination fee of 1 % is due with the acceptance of the MHSA final commitment (unless waived by CalHFA). The balance of the loan fee is due when the first predevelopment or construction loan closes.

A DMH approved supportive services budget and staffing ratios for on-site supportive services will be a condition of approval for all developments and required prior to occupancy of each

developments. If the development has changed substantially since the application was originally submitted by the county mental health department, county consent may be solicited.

Applicants applying for a blanket allocation of MHSA funds for the development of multiple shared housing developments, will receive a Final Commitment Letter for the total MHSA allocation awarded to the Developer for all of the proposed Shared Housing developments they intend to develop. As each Shared Housing site is identified and approved for financing, CalHFA will issue Supplemental Final Commitments to each Development that outlines the amount of MHSA funds awarded, the loan terms, fees, required reserves, and special conditions related to each development.

Predevelopment Loan Close

The predevelopment loan closing, if applicable, will take place following final commitment of the MHSA Housing Program permanent loan and following receipt of the required Predevelopment loan closing checklist submittals posted on CalHFA's website:

<http://www.calhfa.ca.gov/multifamily/mhsa/index.htm> Predevelopment loans up to \$500,000 (but not to exceed the amount of the MHSA Perm Loan) are available if the development meets the requirements on the MHSA Term Sheet and CalHFA determines that the development is feasible. These predevelopment loans must be made to an eligible Borrowing entity (a single asset or sole purpose entity created to hold title to the MHSA property). CalHFA may elect to not go forward with a predevelopment closing if the permanent MHSA loan closing is scheduled to take place within 3-4 months of the predevelopment closing.

For shared housing developments submitted under the blanket allocation process, a predevelopment loan can be approved once a site has been identified and CalHFA has received Sections A & B of the Universal Loan Application, Senior Staff have approved the development proposal, and you've submitted the Predevelopment Loan Closing checklist items (posted on the CalHFA website).

MHSA Housing Program Construction/Permanent Loan Closing

The MHSA Housing Program Permanent loan will typically close simultaneously with the construction loan for the development.

A Rental Housing or Shared Housing Construction Loan Closing checklist is available on CalHFA's website: <http://www.calhfa.ca.gov/multifamily/mhsa/index.htm> The borrower is responsible for sending in the required submittals on the checklist (in 2 closing binders and 1 diskette to CalHFA) within the time frames noted on each checklist.

Prior to loan closing, CalHFA's Legal Division will prepare draft loan documents and will forward them to the borrower for review. CalHFA will require a Lender's title policy at MHSA loan closing. For rental housing loans closed and disbursed during construction, CalHFA will require a Lender's LP10 Title Policy and rewrite upon completion of construction/rehab.

Fees and Impounds: CalHFA may, at its discretion, require payment of the following fees and impounds from escrow proceeds at the MHSA loan closing:

- Tax service fee (estimate \$120 for Shared Housing and \$2200 for Rental Housing)
- UCC search and UCC filing fees
- Capital deposit to the replacement reserve account (if required by CalHFA)

- Operating Expense reserves (see the MHSA Term Sheet for calculation)
- Supplemental capitalized operating subsidy reserves (if required)
- CalHFA or Third Party Construction Inspection Fees (assume a minimum of \$500 per month for the course of construction/rehab plus 3 months)
- Replacement Reserve Needs Analysis Fees (“RRNA”) (if CalHFA performs the RRNA)
- Payment of up to two years MHSA Annual Service Fee (0.042% of the MHSA Perm HP Loan Amount per year is payable for the life of the MHSA loan)
- Additional reserves if required by the MHSA loan commitment or loan documents

NOTE: CalHFA typically will not collect annual reserves or impounds for taxes and insurance.

CalHFA will collect and hold the Operating Expense Reserve. This reserve is due at the MHSA loan closing, but may be deferred until project completion when CalHFA is providing the project with a Capitalized Operating Subsidy Reserve (COSR) for the MHSA units.

- **Capitalized Operating Subsidy Reserve Agreement:** CalHFA will execute the capitalized operating subsidy reserve agreement with the borrower at the MHSA loan closing but will not approve the release of COSR funds until the development is completed and the MHSA Perm Loan has been fully disbursed.

Construction/Rehabilitation

New Construction or Acquisition/Rehabilitation start will not be authorized until CalHFA has received the construction contract documents and the “to be permitted” Plans and Specifications (in the case of new construction projects) or “scope of work with Plans and Specifications” (in the case of acquisition/rehabilitation projects). Contractors may not be paid an advance for work to be performed on a construction contract, and they should be informed that CalHFA has specific rental housing course of construction insurance requirements (see the CalHFA insurance requirements posted on the website) and that Construction contracts should require that 10% be withheld from each draw as a retention payment that is released thirty-five days following the recordation of a Notice of Completion and upon receipt of all required lien releases.

The construction phase of the project will be monitored by either CalHFA staff or third-party inspectors paid for by the Borrower. The inspectors will evaluate the construction work according to the final submitted plans and specifications or scope of rehabilitation.

Prior to anticipated Occupancy

CalHFA requires the submittal of documentation required on the “Post Loan Closing Checklist” (found on the website at: <http://www.calhfa.ca.gov/multifamily/mhsa/index.htm>) Within, and not less than 120 days prior to anticipated occupancy for rental housing, and 45 days prior to occupancy for shared housing, the Developer must submit to CalHFA and DMH for approval, the proposed rents, operating budget, final supportive services budget and staffing ratios/plan along with any changes to the DMH approved Supportive Services Plan.

Development Completion and Drawing Down Funds from the Capitalized Operating Subsidy Reserve Agreement

Documentation at Development Completion: Some of the CalHFA required “Post Loan Closing checklist” items include, the following documentation as proof that the Development is complete:

- Certificate of Occupancy (for new construction only);
- Recorded Notice of Completion
- Signed ALTA Survey (for new rental housing construction projects);
- Audited Cost Certifications (for rental housing projects); or Accountant’s Final Cost Report (for projects with less than 25 units and shared housing developments)
- Rent roll

Documentation needed to Draw Down Capitalized Operating Subsidy Funds: CalHFA requires the following documentation prior to the 1st draw of COSR Funds.

- Certification or other evidence acceptable to CalHFA that the sponsor/developer applied for and did not receive rental or operating subsidies from another source,
- Copy of Certificate of Occupancy or Recorded notice of completion
- Funding of the MHSA Operating Reserve if not funded at MHSA loan closing,
- Three months rent rolls (excluding tenant names) and updated operating budget assumptions (if applicable)

DMH Application Approval Process

DMH is responsible for evaluating specific sections of the MHSA Housing Program application. DMH will review all information submitted in response to the requirements of Section D: Supportive Services Plan. DMH will also review the applicant’s response to the Project Overview, which will give reviewers a comprehensive understanding of the proposed development, including how the Supportive Services Plan and related documentation will be integrated into the overall development.

The DMH application review process is expected to take approximately 60 days from submission of a complete application. The process begins with submission of a completed MHSA Housing Program application. As applications are submitted, DMH will assemble a review team and distribute the relevant application and review materials. The DMH review team will include the following members: DMH housing staff and a consumer and/or a family member of a mental health consumer. The MHSA Oversight and Accountability Commission will receive a copy of the materials; commission members/staff are invited to submit comments to DMH.

Within approximately 14 days of application distribution, a review team conference call will be conducted, during which reviewers will discuss their evaluations and identify any outstanding issues that need to be addressed. DMH then contacts the County regarding issues identified during the review. Once all issues are resolved, DMH will send CalHFA an evaluation summary with a recommendation of “approved,” or “pending” if additional information is needed. Following the evaluation by both agencies, a Concept Meeting will be scheduled by CalHFA to discuss the application (see Section regarding Concept Meeting).

The DMH application evaluation will be based on the following criteria:

1. The proposed development's consistency with the priorities identified in the County's approved Three-Year Program and Expenditure Plan;
2. A clearly articulated understanding of the supportive service needs of the individuals to be served in the housing development; this should be reflected in the type and frequency of services provided as well as an appropriate staffing ratio. Through a combined review of the services plan narrative and supportive services chart, it should be clear what services are provided, where they are provided, who is providing the services, how frequently, and how the services meet the needs of the individuals who are being housed;
3. Inclusion of consumer- or family-facilitated services and supports, which may include peer support, peer-facilitated groups/activities, tenant community organizations/groups, etc.;
4. The description of tenant engagement strategies;
5. Tenant referral, screening and application processes;
6. A residential unit and development design that is suitable for the MHSA Housing Program tenants;
7. Adequate supportive services space for delivery of services to the tenants, and/or a description of how/where services will be delivered in developments that are not likely to have designated space (e.g. shared housing);
8. Signed and completed attachments;
9. Identification of applicant and development partners (to include developer, property management agent, local housing agency, and any other collaborative partner) and their documented experience in providing supportive housing to tenants with serious mental illness;
10. Identification of Primary Service Provider and their documented experience in successfully providing services to tenants with serious mental illness in supportive housing;
11. A completed Memorandum of Understanding (MOU) among development partners that outlines roles, responsibilities, plan for on-going communication, decision-making, and governance;
12. Completed Property Management Plan and submission of a copy of the Property Management Contract; and
13. For Shared Housing Developments only, a description of the procedure for annual housing quality control physical inspections and a copy of proposed house rules.

For Shared Housing proposals submitted under the blanket allocation process, State DMH will review the initial Service Plan and provide final approval subject to updated Service Plans customized for each approved Shared Housing Development.