

County of San Bernardino

Administration

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ALLAN RAWLAND, MSW, ACSW
Director

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October 4, 2011

To 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 (DMH) and the California Housing Finance Agency (CalHFA) have allocated approximately \$20 million to the County of San Bernardino Department of Behavioral Health (DBH). These funds may be utilized for capital and operating subsidies for the development, acquisition, construction and/or rehabilitation of permanent supportive housing. DBH 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

DBH 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

In order to submit an application for MHSA funding, applicants are required to attend at least one mandatory public workshop. Those in attendance at previous San Bernardino MHSA developer workshops are not required to attend again. Future workshops will be scheduled and held throughout the County as needed.

GREGORY C. DEVEREAUX
Chief Executive Officer

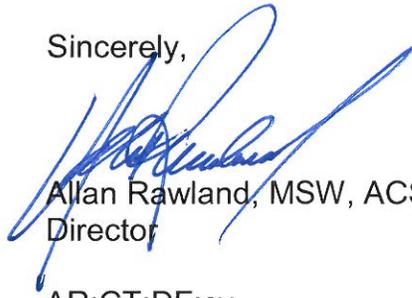
Board of Supervisors

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DBH will continue accepting Pre-Application information packages from qualified applicants until all MHSA funds have been reserved or committed. The Pre-Application information package will allow DBH the opportunity to review the proposed project, assess the applicant's experience and financial capacity, and evaluate readiness to proceed with an application. DBH 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.

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 questions in writing to Douglas Fazekas, Administrative Manager, County of San Bernardino Department of Behavioral Health, 820 E. Gilbert Street, San Bernardino, CA 92415 or via email at: dfazekas@dbh.sbcounty.gov.

Sincerely,

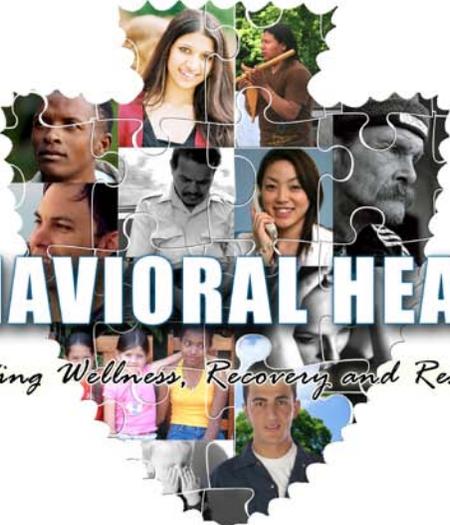


Allan Rawland, MSW, ACSW
Director

AR:CT:DF:cv

cc: Members of the Board of Supervisors
Gregory C. Devereaux, County Executive Officer
Linda Haugan, Assistant County Executive Officer, Human Services
John Hallen, Administrative Analyst
Lori Ciabattini, Administrative Analyst
Executive Staff, Department of Behavioral Health
Dena Fuentes, Director, County of San Bernardino Redevelopment Agency
Susan Benner, Executive Director, Housing Authority of the County of San Bernardino
Frank Salazar, Deputy County Counsel
Behavioral Health Commission
Doug Fazekas, Administrative Manager, Behavioral Health Housing Program

**County of San Bernardino
Department of**



BEHAVIORAL HEALTH

Promoting Wellness, Recovery and Resilience

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

Revised: September 29, 2011

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

Guidelines for Applications

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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. 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 MHSA housing funds, applicants are required to attend the mandatory public workshop to learn about the MHSA housing program, these Guidelines for Applications, the Terms and Conditions for MHSA 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 as outlined in the following pages. 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).

Following the TRC review, and to the extent that the applicant has not done so already within its Pre-Application, the applicant will also be expected to document its previous community outreach activities and to undertake other appropriate outreach strategies as necessary to demonstrate and assure local support for the project. At a minimum, representatives of SBDBH and the applicant will ensure that adequate outreach, communication, and information has been provided to representatives of the County Board of Supervisors, to representatives of other local elected officials, and to leadership of appropriate local governmental agencies/departments, such as the City Manager’s office and agencies/departments responsible for housing, redevelopment, community development, and/or planning activities.

Based upon such communication, SBDBH will collaboratively determine with such local officials and the applicant 1) whether additional community outreach activities need to be performed; and, if so, 2) the strategies for performing such outreach activities. If it is determined that additional outreach activities are required, the developer will be required to submit and successfully execute a community outreach plan based upon such strategies as a condition precedent to MHSA funding approvals.

When SBDBH determines that any technical and community outreach 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 MHSA funding application.

The MHSA 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 issue a press release notifying the public about the project and 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 120 days to review and approve the application for MHSA funding.

The Pre-Application Information Package

The initial step is to prepare an information package for submittal to SBDBH. One original and six identical copies of the Pre-Application must be submitted, each in a loose leaf notebook with a table of contents and tabs to separate the items. In addition, the original must include two compact discs with all Pre-Application materials on it. Each item below must be included in the Pre-Application and presented in a clearly identifiable tabbed section. Include the Pre-Application Checklist (attached as Exhibit 1) in the first tab.

Pre-Application Overview Materials

1. A brief 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.
2. Pre-Application Checklist (as shown in Attachment 6).
3. Development Summary Form (as shown in Attachment 7). (This form is the same form required by CalHFA for the full MHSA application.)
4. A narrative Development Description, limited to two pages in length. The narrative Development Description must include the housing and service goals of the development; characteristics of the tenants to be served; the type of housing that will be provided, including building type, layout, features, and how the building(s) will meet the service needs of the tenants; the primary service provider and other development partners; and a summary of development financing. (This narrative is the same as is required by CalHFA for the full MHSA application.)

Development Team Information

1. Description of the applicant and development team, including the legal entity form of each party (non-profit corporation, for-profit corporation, LP, LLC). Provide full descriptions of existing or intended relationships, etc. Disclose all identities of interest in existence or anticipated to exist. Disclose any potential conflicts of interest with any County of San Bernardino elected official or management employee. To the extent known, all key members of the development team should be listed, including consultants, service providers, attorneys, architect, general contractor, construction management firm, property management firm, etc.
2. Provide full contact information for each key member of the development team. (This contact information may be provided using pages 4 through 7 of the State of California Universal Application.)
3. Organizational resumes for each of the project sponsors/developers, the service provider, and the property management firm. Please include a completed Previous Participation Certificate (as included in the State of California Universal Application) for each sponsor/developer and property management firm. Please note any previous experience in the County of San Bernardino.
4. Completed legal status questionnaire from the most recent version of the Universal Application (as shown in Attachment 8) for each sponsor/developer entity.
5. For each sponsor/developer entity, provide two public debt, two private debt, and two equity provider references with up-to-date contact information, including name, title, address, phone number, and e-mail address.
6. For each sponsor/developer entity, provide no fewer than 3 years' audited financial statements. If the reference date of the most recent audit is more than 90 days before application date, please also provide an internally-prepared financial statement covering the most recent period.

Project Information

1. Project information including project name, location, labeled photos of the site and/or project, labeled photos of adjacent uses, site location map, and map showing proximity to services.
2. A short narrative description of (a) the existing use of the project site; (b) existing (and proposed) uses of adjacent properties; (c) prominent characteristics of the surrounding area. Please describe the physical and socio-economic characteristics of the surrounding community.
3. Evidence of site control (or the anticipated legal and financial means of securing site control) and a current preliminary title report.

4. A short narrative description of the proposed rehabilitation and/or new construction project, including architectural design and scale, amenities to be provided, and how the project will fit into the surrounding neighborhood. Please comment on how the project will impact the neighborhood: if applicable, address issues of economic integration, elimination of blight, concentration of poverty. Describe the public benefit of the project.
5. A short narrative description of the status of entitlements for the project, including the following:
 - a. Current zoning, land use designation, and general plan designation;
 - b. Current maximum density, building height limit, and required parking ratio;
 - c. Any land use entitlements applications in process or anticipated, including density bonuses, variances, conditional use permits, waivers, or incentives.
 - d. To the extent that any are available, please submit any letters from local public agencies evidencing that entitlements are in place.
6. If available, please submit a copy of an “as is” appraisal of the property.
7. If available, please submit a copy of a Phase I Environmental Site Assessment (ESA) for the proposed project site completed according to ASTM standard. For existing developments, the ESA should also indicate the likelihood of the presence of lead-based paint and asbestos-containing materials.
8. For new construction projects only, if available, please submit a copy of the soils analysis for the project site.
9. For rehabilitation projects only, if available, please submit a copy of the most recent physical needs assessment for the project.

Project Financing Information

1. Provide a complete and transparent project proforma including each of the items outlined below. At the applicant’s discretion, this proforma can be provided either as a detailed, annotated Excel spreadsheet of the applicant’s own choosing, OR as the Universal Application pages 10 through 28. The proforma must include, at a minimum:
 - a. A detailed development budget that includes all project costs from predevelopment through stabilized occupancy. (For existing developments, indicate any tenant relocation costs necessary.)
 - b. A listing of sources of funds to cover the predevelopment phase, the construction phase, and the permanent phase.

- c. A table showing the number of each size of unit, rent and utility levels, targeted levels of affordability, and indicating the basis of rent level calculations (i.e., set by California Redevelopment Law, TCAC, HCD, SSI, etc.)
 - d. A detailed first-year operating budget;
 - e. A minimum 20-year cash flow schedule, which shows all sources of income, operating expenses, any required debt service, and a full “waterfall” showing cash flow sharing, payments of residual receipts, payments of asset management fees, payments of deferred developer fees, and any and all expected payments to members of the development team.
2. Please provide copies of any commitment letters already in hand for any of the project financing sources listed in (b) above.
 3. For existing developments, please also submit 3 years’ operating statements for the project, a current rent roll, and a current property tax bill.

Community Outreach

Any development larger than 15 units must submit a specific community outreach plan for the project; developments smaller than 15 units may also be required to submit a community outreach plan if exploratory meetings with local community representatives indicate a need for enhanced outreach (as described below).

1. Provide the qualifications and experience of the applicant team that demonstrate (a) the ability to work effectively with communities during the affordable housing planning and approval process; and (b) the ability to develop and implement effective community outreach processes.
2. The community outreach plan should be designed in consultation with SBDBH staff. The plan should include a pro-active strategy for engaging the community and for addressing any potential negative perceptions of what the project would bring to a particular community. The plan should outline specific steps to be taken before, during and after implementation of the project. (Please see Community Outreach Guidelines shown in Attachment 9.)
3. Please list any community members or organizations that you know of that are active in the community in which the project is located. The plan should also include an assessment of any controversy anticipated as well as any actions taken to date to build toward community acceptance.
4. Please identify the County supervisorial district and other jurisdictions in which the property is located. Describe the results of any communication or meetings the development team has had with representatives of the County Board of Supervisors, with representatives of other local elected officials, and/or with leadership of appropriate local governmental agencies/departments, such as the City Manager’s office and

agencies/departments responsible for housing, redevelopment, community development, and/or planning activities. *Note:* SBDBH will collaboratively determine with such local officials and the applicant 1) whether additional community outreach activities need to be performed; and, if so, 2) the strategies for performing such outreach activities. If it is determined that additional outreach activities are required, the developer will be required to submit and successfully execute a community outreach plan based upon such strategies as a condition precedent to MHSAs funding approvals.

5. Prior to the Executive Committee meeting, the applicant will be required to submit acceptable documentation of any community outreach efforts engaged in since the TRC review, including dates, times, and results of any meetings with community stakeholders and sign-in sheets for larger public meetings.

Project Timeline

1. Provide a full project timeline. The timeline must include information on any land use and development approvals required; land or project purchase; community outreach process; financing applications, approvals, and closing; and construction and lease-up.

If an applicant desires to protect certain proprietary information contained in its information package, then the applicant should clearly identify which sections or documents of the submittal are to be considered proprietary information. The applicant agrees that any sections or documents not identified as proprietary information will be deemed non-proprietary and may be made available to the public.

SBDBH will accept Pre-Application information packages through an “open window” process until all County MHSA funds are allocated. Packages should be addressed as follows:

**County of San Bernardino - Department of Behavioral Health
Contracts Administration – RE: DBH 09-24
Attn: Dennis Terrones, Staff Analyst II
268 West Hospitality Lane, Suite 400
San Bernardino, CA 92415-0026**

The Administrative Review Process

Within 15 days of receiving a Pre-Application, SBDBH will arrange a meeting between the applicant and the SBDBH Consultant Team representative to discuss and review the proposed project. The Consultant Team representative will analyze the Pre-Application and write a review memo for the Technical Review Committee (TRC). This committee will receive the technical review memo and Pre-Application at the same time. In the TRC meeting, the committee will meet to evaluate the Pre-Application and to determine if:

- a. the proposed project meets the goals of the MHSA Housing Plan
- b. the development team has sufficient experience to develop the project
- c. the applicant has sufficient financial capacity
- d. the applicant and project are ready to move forward

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 and community outreach 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 4, *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 MHSAs application.

The final MHSAs 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.

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 issue a press release and subsequently post the following information on the SBDBH website for a 30-day public comment period¹:

- Development Summary Form (Attachment I of the MHSAs application)
- Development Description Narrative
- Sections D.1 through D.5 of the MHSAs 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 120 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 MHSAs loan committee for approval of the funding request.

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

For questions about these Guidelines for Applications, please contact:

Mr. Douglas Fazekas, Administrative Manager
County of San Bernardino Department of Behavioral Health
700 E. Gilbert St. Bldg. 6
San Bernardino, CA 92415
(909) 387-8619
dfazekas@dbh.sbcounty.gov

Attachments

1. MHSA Housing Program Application Process Chart
2. San Bernardino County Target Populations
3. San Bernardino County MHSA Housing Development Guidelines
4. Full Service Partnerships Contact Information
5. MHSA Term Sheet and Program Description (CalHFA)
6. Pre-Application Checklist
7. Development Summary Form
8. Legal Status Questionnaire
9. Community Outreach Guidelines

ATTACHMENT 1

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 to 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
Applicant and SBDBH work together to develop/ implement a community notification plan for the project starting with notice to BOS representative & City Staff.	Applicant SBDBH: Doug Fazekas Consultant Team Representative*	20-60 days	Concurrent
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	15 days	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 sections D1. 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	5 days	105 days
SBDBH Executive Director reviews application and schedules it for Executive Committee and/or Board of Supervisors agenda	SBDBH: Allan Rawland	10 days	115 days
If there is significant deviation from Pre-Application, then Executive Committee reviews	Executive Committee	15 days	Concurrent
Press release to advertise Public Comment Period	SBDBH Doug Fazekas	10 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 initial posting	160 days
SBDBH Executive Director signs forms and MHSa application is sent to State agencies	SBDBH: Allan 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 & CalHFA	60 days	225 days
Feedback to State agencies; finalize loan approval	SBDBH: Doug Fazekas	15 days	240 days

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

ATTACHMENT 2

**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

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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.¹
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.

¹ 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.

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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.

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**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., Bldg # 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

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Contract Agencies (FSP Providers)		
<u>Name</u>	<u>Contact Information</u>	<u>Target Population Served</u>
12. <u>ASSERTIVE COMMUNITY TREATMENT (ACT)</u>	2080 S. E St. San Bernardino, CA 92408 (909) 388-9191	Adults, 18-59
13. <u>EMO CHILREN AND FAMILY SERIVCES</u>	572 N. Arrowhead Ave. San Bernardino, CA (909) 266-2700	Children and families
14. <u>FAMILY SERVICE AGENCY</u>	1669 N. E. St. San Bernardino, CA 92405 (909) 886-6737	Children and families
15. <u>FORENSIC ASSERTIVE COMMUNITY TREATMENT (FACT)</u>	2080 S East St. San Bernardino, CA 92408 (909) 388-9191	Adults 18-59, (Forensic)
16. <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
17. <u>MEMBER ASSERTIVE POSITVIE SOLUTIONS (MAP)</u>	2080 S. E St. San Bernardino, CA 92408 (909) 388-9191	Adults, 18-59
18. <u>MORONGO BASIN MENTAL HEATLH</u>	55475 Santa Fe Trail Yucca Valley, CA 92284 (760) 365-5923	Adults, 18-59
19. <u>MORONGO ONE STOP TAY CENTER</u>	58945 Business Center Dr., #3 Yucca Valley, CA 92284 (760) 228-9657	Transitional Age Youth, 18-25
20. <u>VISTA GUIDANCE CENTER</u>	1323 W. Colton Ave. Redlands, CA 92374 (909) 355-7067	Children and adults
21. <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

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**MENTAL HEALTH SERVICES ACT HOUSING PROGRAM
Term Sheet**

<p>Program Description</p>	<p>The Mental Health Services Act Housing Program (MHSA Housing Program) offers permanent financing and capitalized operating reserve subsidies (COSR) for the development of permanent supportive housing. This housing includes both rental housing and shared housing, and serves persons with serious mental illness who are homeless, or at risk of homelessness (as defined by the MHSA Housing Program), and who 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) under an interagency agreement and in accordance with this term sheet, as amended from time to time by CalHFA and DMH.</p> <p>Please note that this program is designed to be flexible. CalHFA is authorized to grant exceptions to MHSA Housing term sheet on a case by case basis if needed to make a development financially viable, conform the program requirements to be compatible with other funding source requirements and or add more units for the target population. Exceptions will not be allowed for (1) funding for any form of leased housing, (2) deviations from serving the target population and (3) deviations from the approved housing types. (See the exception process at the end of this document).</p> <p>Please see the most recent Rental Housing and Shared Housing applications program guidelines (term sheet), and loan documents at the CalHFA website http://www.calhfa.ca.gov/multifamily/mhsa/index.htm.</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

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	<p>treatment program for the mentally disordered; and mental health rehabilitation centers. (iii) Release from city or county jails. (iv) Temporarily placed 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.</p> <ul style="list-style-type: none"> • The county mental health department determines the eligibility of individuals applying for tenancy in an MHSA unit in compliance with the target population criteria.
<p>Types of Supportive Housing Available Under MHSA</p>	<ul style="list-style-type: none"> • Both Rental Housing Developments and Shared Housing Developments are permitted. • A Shared Housing Development is a residential building. All bedrooms in a Shared Housing Development are considered separate units and shall be occupied by an MHSA eligible resident, as determined by DMH and the sponsoring county mental health department. For purposes of the MHSA Housing Program funding, a bedroom in a Shared Housing Development is a unit. • A Rental Housing Development is an apartment building or buildings with no less than five residential units restricted for rent to MHSA eligible residents. • Master leasing is not allowed.
<p>Predevelopment Loans</p>	<ul style="list-style-type: none"> • Predevelopment loans of up to \$500,000 may be available to all Shared Housing Developments that have received an MHSA Housing Program permanent loan commitment, and can demonstrate site control and receipt of all required local planning approvals, with the exception of building permits. • Predevelopment loans of up to \$500,000 may be available to all Rental Housing Developments that have received an MHSA Housing Program permanent loan commitment, have obtained 30% of their permanent financing commitments based on dollar amount excluding tax credit equity, and can demonstrate site control and receipt of all required local planning approvals, with the exception of building permits, and in CalHFA's opinion are likely to receive the remaining construction and permanent financing commitments within the term of the MHSA permanent loan commitment. • CalHFA shall have the authority to approve a predevelopment loan, even if not originally requested in the application, upon written request by an applicant. Such approval shall be subject to such conditions as CalHFA deems reasonable or necessary. • There is no additional commitment fee for predevelopment loans but ½ of the 1% MHSA commitment fee will be due at loan commitment and ½ at predevelopment loan closing and will be funded from the proceeds of the predevelopment loan.

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	<ul style="list-style-type: none"> • Predevelopment loan amounts cannot exceed the MHSA Housing Program permanent loan commitment for the development. • Only predevelopment loans used for acquisition of the development will be secured against the property. • Predevelopment loans may be recourse at CalHFA's discretion. • Interest will be 3% simple fixed. Payment of principal and interest shall be deferred until the predevelopment loan maturity date. • The predevelopment loan maturity date shall be the sooner of two years from predevelopment loan closing, or the sooner of the first construction loan closing or the MHSA Permanent Loan Closing. • Predevelopment loan interest will be forgiven at MHSA permanent loan closing, so long as the MHSA permanent loan is funded. • If the MHSA permanent loan does not fund, the predevelopment loan principal and all accrued interest shall be due at the time of the predevelopment loan's maturity. • Predevelopment loan funds may be available for (1) Purchase option costs, acquisition costs and costs associated with site acquisition for Shared Housing Developments; (2) predevelopment costs necessary to complete due diligence required for construction loan closing or permanent financing; (3) non-MHSA predevelopment loan interest; and (4) costs associated with repaying a portion of the outstanding principal and accrued interest for acquisition loans that have matured for Rental Housing Developments • Examples of eligible predevelopment costs include but are not limited to engineering studies and fees, Phase 2 studies, consultant fees, architectural fees, permits and other local fees, relocation expenses, costs for site preparation, third party studies and reports, legal fees, other expenses recoverable from the construction/permanent financing as approved by the Agency, and the MHSA Housing Program loan fee. • Staffing costs are not eligible costs for predevelopment loans.
<p>Permanent Loans</p>	<ul style="list-style-type: none"> • Permanent loan proceeds may be available at acquisition, at construction loan closing, or during the construction period if title insurance can be acquired. • Permanent loan proceeds may be used for allowable costs associated with the acquisition and development of the property, including reimbursing the developer for predevelopment and acquisition. Permanent loans will be secured against the property and the improvements by a promissory note, a deed of trust and a regulatory agreement. • Permanent loans, if funded during construction or rehabilitation may, at CalHFA discretion, be subject to a loan disbursement agreement. • Permanent loan limits will be based on the number of units restricted to MHSA eligible residents and the proportionate share of the manager's unit and not on the total number of units in the proposed development.

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	<ul style="list-style-type: none"> • MHSAs Housing Program loan funds may trigger prevailing wage requirements. Applicants are advised to consult their attorney on this issue. • MHSAs Housing Program target population requirements may trigger conflicts with federal funding sources. Applicants are advised to consult their attorney on this issue.
<p>Loan Terms</p>	<ul style="list-style-type: none"> • Origination Fee: 1% of the MHSAs permanent loan amount. One-half of the fees will be due at execution of the final commitment and one-half will be due at MHSAs permanent loan closing, or at MHSAs 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, annually and in advance, for servicing and administrative services and shall be due January 1 of each year. • If MHSAs permanent loan proceeds are disbursed at construction loan closing, loan interest will accrue during the construction period but payment will be deferred. The 0.42% servicing fee will be charged during the construction period. Up to two years of servicing fees will be due as a lump sum in advance at the time of MHSAs permanent loan closing. • If MHSAs permanent loan proceeds are not disbursed until construction is complete, a partial year from MHSAs permanent loan closing until January 1 of the next year, and an additional full year of the 0.42% servicing fee shall be due as a lump sum, in advance, at permanent loan closing. • The interest rate on MHSAs Permanent Loans will be fixed at 3% simple interest. Accrued interest and principal payments, to the extent available, will be made on an annual basis from net cash flow (residual receipts), with the first payment due one year after issuance of the certificate of occupancy or if applicable at recorded Notice of Completion. • All accrued and unpaid interest and principle attributable to the loan shall be due and payable upon maturity of the loan, unless this requirement has been modified by CalHFA under the circumstances described in the next paragraph. • For projects which receive an allocation of tax credits, and which involve a limited partnership with a tax credit investor, the payment of unpaid interest attributable to any given year may be forgiven upon demonstration to CalHFA that the Development did not generate sufficient residual receipts to make a full or partial payment. In this circumstance, unpaid interest for that year will not be added to the principal loan amount. However, upon default , or if there are sufficient monies generated in connection with the sale or refinancing of the Development, such unpaid interest shall be due and payable. • All residual receipts payments received by CalHFA will be credited toward pay down of accrued interest and principal shall be deposited back into the respective county's sub-account. • The Borrower will be responsible for all external transaction costs and third

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	<p>party studies.</p> <ul style="list-style-type: none"> • 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 the California Tax Credit Allocation Committee has made an allocation of tax credits. Upon the request of the developer, the loan term may be up to 57 years. The term of the regulatory agreement shall be coterminous with the loan.
<p>Qualified Developers and Borrowers</p>	<p>The Development team must include <u>all</u> of the following:</p> <ul style="list-style-type: none"> ❖ For Rental Housing, Developers with a track record of 5 years of successful affordable rental housing development. A demonstrated history of developing supportive housing and or serving the target population is desirable. ❖ For Shared Housing, Developers that are stable and established organizations, with a history of successful development and or operation of a supportive housing development. ❖ A qualified borrower organized in the fashion described more fully below. ❖ A qualified service provider with 2 years of history serving the target population and ❖ A qualified property manager. The property manager must demonstrate that the staff supervising the project has a history working with supportive housing projects and with the target population. ❖ A qualified construction contractor/developer. Qualifications include a history of building at least two projects of a similar building type; a demonstrated familiarity with building affordable housing developments; a history of compliance with state and federal prevailing wage requirements, if applicable; and bonding capacity for the amount of the construction contract, if applicable. ❖ Please note that particularly for very small counties, when there are no qualified developers, and property managers available, exceptions may be made to the Developer team qualification requirements by CalHFA on a case by case basis. <p>Other developer options include</p> <ul style="list-style-type: none"> ❖ An affiliate of the county, redevelopment agency, local housing authority, or other public entity, created to hold properties financed by the MHSA Housing Program or an appropriate agency of the county. • The developer, the borrower and their respective 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. <p>The borrower must be legally organized as one of the following:</p>

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	<ul style="list-style-type: none"> ❖ A limited partnership (LP) in which 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, redevelopment agency, a local housing authority, or other public entity, created to hold MHSAs Housing Program properties. <p>The borrower also must be organized as either</p> <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 MHSAs Housing Program funding, as appropriate.
<p>Application Process</p>	<ul style="list-style-type: none"> • Applications shall be submitted to DMH and CalHFA via the county mental health departments, which shall apply for funding in conjunction with a qualified developer/borrower. The signed submission of the application 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 COSR funding request for the development, (if applicable), and ❖ A commitment by the county mental health department to provide funding for supportive services for the MHSAs eligible residents for the term of the MHSAs Housing Program loan. <p>All Rental Housing Developments will be required to submit a completed application with all attachments. The application form is posted on the DMH and CalHFA web sites. It includes MHSAs Housing Program-specific requirements and the joint CalHFA, TCAC, CDLAC, and HCD application (“the Universal Application”).</p> <p>Shared Housing Developments have the option of submitting a completed application which includes the Shared Housing Universal Application and all attachments, or alternately they may submit their application in two parts, at two different times</p> <ul style="list-style-type: none"> ❖ The first part shall consist of Sections C (development partners) and Section D (30-day county review process documentation, request for COSR Service Plan and related materials), and along with a request for the loan and when applicable, a request for an operating subsidy. CalHFA and DMH will review the submittal and if approved, CalHFA will issue a conditional commitment letter for funding in advance of the site selection. This section of the application is subject to the 30 day local review process. This approval can cover multiple sites. ❖ The second part of the application will be submitted to both CalHFA

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	<p>and DMH once the property is selected, and subject to a purchase and sales agreement, and shall contain Section A (the Shared Housing Application) and Section B (supplemental property information), together with a letter from the county approving the site or sites. Upon receipt of the last two sections, CalHFA will underwrite the loan and subsidy request, and once it is approved, move quickly towards a loan closing.</p> <ul style="list-style-type: none"> ❖ The County and Developer applicants should contact CalHFA prior to requesting modifications in an application that has already been submitted. <p>Note: The applicants may apply to CalHFA to increase the MHSA permanent loan amount and or the COSR amount at any point between submission of the MHSA application and the closing of the MHSA permanent loan. Increases in the Permanent Loan Amount after the MHSA permanent loan has closed are not permitted under this program.</p>
<p>Due Diligence</p>	<p>The due diligence items identified in Section B of the MHSA Housing Program Application are required for all Rental Housing Developments applications. Preparation of this information will be at the developer's/ borrower's expense. Please note that there are separate checklists for Rental Housing Developments and Shared Housing Developments.</p> <p>Due diligence required for MHSA Housing Program pre-development loans, and permanent loan closings are available on CalHFA's website.</p> <p>CalHFA may require additional information from the Developer during the underwriting and loan closing processes.</p> <p>Please see Section B (supplemental materials) of the most recent Rental Housing and Shared Housing applications at the CalHFA website at http://www.calhfa.ca.gov/multifamily/mhsa/index.htm</p>
<p>Rental Housing Developments</p>	<p>Additional Terms for Rental Housing Developments</p> <ul style="list-style-type: none"> • The MHSA Housing Program will fund one-third of the development costs of the MHSA Housing Program Units in a Rental Housing Development up to a maximum of \$104,000 per MHSA Housing Program unit ("apartment"), as adjusted annually by a 4.00% inflation factor beginning January 1, 2010. • A minimum of 5 units in all Rental Housing Developments shall be set aside for MHSA eligible residents. The decision of how many units to set aside above the 5 unit minimum is a decision between the County and the developer. • 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.

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- 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.
- 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 and rents may be adjusted. This occupancy may be allowed 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 up to 90 days. Capitalized operating subsidies, (if applicable to the development), will continue through the end of the 90 day period and the housing provider will work with the remaining household members to find alternate housing accommodations. After 90 days, the Borrower shall start eviction proceedings.

Essential Multifamily Program Design Elements

- All units in a Rental Housing Development shall include, at a minimum, a living area, a sleeping area, a kitchen area and a full 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 up to three bedrooms shall contain a bathroom and a half-bath. Units with four or more bedrooms shall contain two full bathrooms. A full 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 office space for the resident manager, supportive services staff and have sufficient community space with handicap accessible bathrooms for meetings and tenant service programs. The site management space should be physically separate from the supportive services space. Exceptions to this policy must be approved by CalHFA.
- One unit may be made available for a manager's unit.

CalHFA may approve, as part of an application, a request to use some rental units for Shared Housing in a Rental Housing Development, provided that the unit design allows for such a use, and that owner, in CalHFA's judgment has the experience and staffing necessary to operate the unit or units as Shared Housing, and adequately addresses this use in Section D of the application. Note: Each Rental Housing unit, regardless of the number of bedrooms rented as Shared Housing in that unit, shall only be eligible for the MHSA loan amount and COSR amount authorized for one Rental Housing unit. Note: Shared Housing units in Rental Housing Developments which are financed in part with

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	<p>Low Income Housing Tax Credits or American Recovery and Reinvestment Act funds administered by the California Tax Credit Allocation Committee (CTCAC) funds must meet IRS requirements as well as MHSA Housing Program requirements. Borrowers are advised to contact CTCAC as to their requirements.</p> <p>Allowable Non-MHSA Funding Sources for Multifamily Developments</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 the current allowable loan maximum per MHSA Housing Program unit. Two thirds of the costs must come from other sources. Note: This 1/3 ratio may be waived on an exception basis by CalHFA. This exception is most likely to be granted to small, non tax-credit developments and for developments in very small counties when other local funding sources are not available.• Fully amortizing loans from other sources 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 COSR.
<p>Shared Housing Developments</p>	<p>Terms for Shared Housing Developments</p> <ul style="list-style-type: none">• The MHSA Housing Program will fund all of the costs of a Shared Housing Development up to \$104,000 per bedroom as adjusted annually at a four percent (4%) factor beginning January 1, 2010, 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 \$104,000 per bedroom. Note: this does not apply to apartment units in Rental Housing Developments that are used as Shared Housing. Those units shall only be eligible for the MHSA loan amount authorized for one Rental Housing unit, and not the Shared Housing loan amount authorized per bedroom.• Interest rates on Shared Housing Developments will be fixed at 3% simple interest. Principal and interest payments will be from residual receipts.• All residences shall be rented to two or more unrelated adults, each of whom qualifies as an eligible resident under the MHSA Housing Program. A lease must be signed by each occupant of the bedroom.• While this program is intended primarily for unrelated adult house-mates each of whom occupies a single bedroom, 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.

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	<p>Essential Shared Housing Program Design Elements</p> <ul style="list-style-type: none"> • Each bedroom must be lockable. • In addition to the bedrooms, the Shared Housing Development 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. Where possible, provisions should be made for a private or quiet area for a service provider to meet with residents. • Each Shared Housing Development with three bedrooms shall contain a minimum of a full bathroom and a half-bath. Each four or five bedroom Shared Housing Development shall contain two full bathrooms. A full bathroom shall consist of a toilet, sink and shower and/or bathtub. A half-bath shall consist of a toilet and a sink. Access to bathrooms shall not be through another resident's bedroom. • The maximum number of bedrooms per Shared Housing Development is five. • A Shared Housing Development may consist of a 1 to 4 unit building, provided that all bedrooms in each unit in the building are targeted for use as Shared Housing. Single-family homes, condominiums, half-plexes, duplexes, triplexes and four-plexes will qualify as a Shared Housing Development provided that they have a minimum of two bedrooms. <p>An applicant may apply for several Shared Housing Developments in the same application. In an application which includes several Shared Housing Developments, the sites may be geographically scattered.</p>
<p>General 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. • 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 COSR, 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 30% of 50% of area median income). • The county mental health department must certify the eligibility of individuals meeting target population criteria. Individuals who have been certified are MHSA eligible residents. • If operating and/or other rental subsidies for the MHSA units are expected to be exhausted prior to the maturity date of the original MHSA permanent loan, the Borrower may submit to CalHFA a plan to transition of the use of these units to non-MHSA units. The plan shall be submitted at least two years prior to the expected depletion of the subsidies. The plan shall

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	<p>include, but not be limited to the following:</p> <ul style="list-style-type: none"> ❖ An explanation of the efforts the Borrower has made to secure rental subsidies necessary to sustain the MHSA units from other sources like shelter plus care and Section 8. ❖ 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 permanent 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. <p>CalHFA's approval of the Borrower's transition plan will be based on CalHFA's assessment of the information provided and a review of the Development's overall financial feasibility. Rent increases above 30% of 50% of AMI will not be approved. Approval will also be conditioned on the Borrower's commitment to continue to seek other subsidies and commitment to continue to market to the Target Population.</p>
<p>Allowable Costs and General Requirements</p>	<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. • Reasonable third-party consulting costs of the county charged to the developer applicant for county processing of the financial portion of the application are allowable costs. • Developer fees may be no higher than those allowed by TCAC and will be reviewed individually for appropriateness. • If the Development receives a COSR award and is subject to ground lease payments, the pro-rata share of the ground lease payments for the MHSA units must be capitalized in the development budget, and cannot be amortized over the term of the loan, unless there is sufficient cash flow from the non-MHSA units to pay the entire ground lease payment. • 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. • Projects that receive an allocation of tax credits from CTCAC may take an Asset Management Fee if required in their partnership agreement. The Asset Management Fee is a fee paid by the partnership on an annual, cumulative basis to the Limited Partner for property management oversight, tax credit compliance monitoring, and related services for the Limited Partner. • Projects that receive an allocation of tax credits from CTCAC may take a Partnership Management Fee if required in their partnership agreement. The Partnership Management Fee is a fee paid by the partnership to the General Partner on an annual, cumulative basis, in the amount and priority

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	<p>specified in the partnership agreement for managing the Partnership's operations and assets and coordinating the preparation of the required federal, state, and local tax and other required filings and financial reports.</p> <ul style="list-style-type: none"> • The amount of the Asset Management Fee and Partnership Management Fee shall be in an amount allowed by the partnership agreement, and agreed to by the other public lenders, provided that such amounts are deemed reasonable by CalHFA and are paid from project cash flow subject to payment priority allowed in the regulatory agreements or other residual receipts agreements of the lenders involved in the transaction.
<p>Allowable Non-MHSA Funding Uses</p>	<ul style="list-style-type: none"> • The applicant must provide 100% of the capital costs of the non-MHSA Housing Program units from other sources. The resident managers' unit shall be prorated. • 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 loans from governmental and private loan sources, and other county mental health funds. • 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 Regulatory Agreement (The MHSA Permanent 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 Permanent Loan Documents may be subordinate, upon CalHFA approval, to other residual receipts/deferred permanent loans and regulatory agreements and use restrictions from federal, state, and local sources provided that those loans are equal to or greater than the amount of the MHSA Housing Program Loan. Regulatory agreements and use restrictions from federal, state, and local sources whose loans are less than the MHSA Housing Program Loan may at CalHFA's discretion, be in a superior position to the MHSA Loan Documents. • The MHSA Permanent Loan Documents may be subordinate to recorded redevelopment plans, general plans and other recorded use restrictions required by federal, state and local governmental entities, if such restrictions are compatible with the MHSA Housing Program requirements and are approved by CalHFA. • If the MHSA loan is secured by a ground lease, the ground lease will be subject to approval by CalHFA. Borrowers are encouraged to seek CalHFA approval of ground leases as soon as possible. • Approved ground leases will be permitted provided that the ground lease is

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	<p>of a sufficiently duration to protect the MHSAs permanent loan.</p> <ul style="list-style-type: none"> • When there is a public entity ground lessor, the MHSAs loan documents will be recorded against the leasehold interest, but not against the fee interest, provided that no other lenders loan documents are recorded against the fee interest. • When there is a private entity ground lessor, the MHSAs loan documents will be recorded against the leasehold interest, and may be recorded against the fee interest at CalHFA's discretion. • All other loan documents, loans, leases, recorded use agreements, and recorded grant agreements must be subordinate to the MHSAs Permanent Loan Documents.
<p>Reserve Requirements</p>	<p><u>Operating Expense Reserve</u></p> <ul style="list-style-type: none"> • A minimum of three months of the first year's anticipated operating cost, but no more than 12 months of anticipated first year's operating costs, will be capitalized as an MHSAs required operating expense reserve. This reserve may be held by CalHFA for the term of the MHSAs Housing Program loan. <p><u>Supplemental Reserves Units</u></p> <ul style="list-style-type: none"> • Supplemental COSR reserve funds may be required by CalHFA for use by the MHSAs restricted units in the event that the COSR does not subsidize the MHSAs COSR units for a minimum of 15 to 18 years. These funds may be held by the Agency and disbursed per the terms of a Capitalized Operating Subsidy Reserve Agreement. • CalHFA may require an additional reserve for Rental Housing Developments where the non-MHSAs Housing Program unit rents are too low to make the project feasible. This reserve will be funded with non-MHSAs sources and CalHFA may hold this reserve. <p><u>Replacement Reserve</u></p> <ul style="list-style-type: none"> • There is no capitalized replacement reserve deposit requirement for new construction. • There will be a capitalized replacement reserve deposit requirement for developments involving acquisition/rehabilitation if indicated by a replacement reserve over time analysis. • A minimum annual replacement reserve deposit of \$500 per unit per year will be required for all new construction Rental Housing Developments. This requirement may increase for developments which involve acquisition/rehabilitation if indicated by the replacement reserve over time analysis. This requirement applies to both MHSAs units and non MHSAs units. • A minimum annual replacement reserve deposit of \$2,500 per building or \$500 per bedroom per year, which ever is higher will be required for all new construction Shared Housing Developments. This requirement may

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	<p>increased for developments which involve acquisition/rehabilitation if indicated by the replacement reserve over time analysis.</p>
<p>MHSA Capitalized Operating Subsidy Reserve (“COSR”)</p>	<ul style="list-style-type: none"> • COSR, in an amount determined by CalHFA, may be available for developments that receive MHSA Housing Program permanent loan funds. No COSR will be available for a project that does not receive an MHSA Housing Program Permanent loan. • The borrower and the county mental health department may apply for a reservation of the COSR subsidy for the MHSA Housing Program units up to a maximum of \$104,000 per unit, adjusted by a 4% inflation factor beginning on January 1, 2010, and annually thereafter. • Only the operating costs of MHSA Housing Program units, which includes the proportional share of the resident manager’s unit, may be subsidized with capitalized operating subsidies. Non-MHSA Housing Program unit costs, including supportive services, are not eligible for COSR subsidies. • Note: For underwriting purposes, and only to determine the tenant portion of the rent, and the amount of COSR required at Final Commitment, CalHFA will assume that one person will occupy the MHSA studio and one bedroom apartments. For two bedroom and larger apartments, CalHFA will assume that at least one of the bedrooms will be occupied an adult eligible for SSI/SSP and the other units will be occupied by a child eligible for Cal WORKS. • COSR funds may not be used to make amortized debt service payments for Rental Housing Developments and Shared Housing Developments, or residual receipts payments. COSR 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, and the proportionate share of the manager’s unit. Note: CalHFA may grant an exception on a case by case basis to either allow COSR to fund amortized debt payments or to increase the capital amount of the MHSA permanent loan to eliminate amortizing debt for Shared Housing. This exemption will be primarily for very small counties where no other public funds are available. • COSR subsidies will be sized to allow for operating subsidies for up to 20 years. <ul style="list-style-type: none"> ❖ A development’s COSR will be sized and determined by CalHFA based on a review of the difference between the projected income for the MHSA COSR subsidized units the operating expenses in the first-year operating budget, assuming an annual income escalator factor and an annual expense cost escalator factor. ❖ Interest earnings on the COSR will be factored into the amount of available subsidy. ❖ The COSR will be capitalized at MHSA Housing Program permanent loan closing, and held by CalHFA in an interest-bearing reserve account.

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- The COSR is for use by MHSA units only and will not be the property of the development.
- COSR awards will be made at loan commitment but will be conditioned upon a determination, 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 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. The determination of the appropriateness of the source 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 at least one award cycle, and may be required to apply in a second cycle at CalHFA's discretion.
- If the development receives an allocation of operating subsidies for the MHSA units from another source prior to the first draw on the MHSA COSR account, CalHFA, may at its discretion, return COSR subsidies not expected to be used during the 20 year term of the COSR agreement back to the County sub account.
- Developments that receive rental or operating subsidy contracts from other sources may also apply for a back-up award for MHSA 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 the Developer agrees to apply for all available extensions of subsidy contract(s).
- In year 15, and every 5 years thereafter, the COSR account of a development will be reviewed by CalHFA. Funds not anticipated to be utilized during the remaining term of the COSR agreement may be returned to the County sub-account at CalHFA's discretion for use in as COSR in another development with a MHSA Housing Program loan in the same county.
- Developments that receive rental or operating subsidy contracts from other sources for less than the total number of MHSA units may apply for COSR reserves for the remaining MHSA units, provided that they agree to apply for all available extensions of subsidy contract(s).
- Capitalized Operating Subsidy Reserve funds shall not be available for disbursement until the later of: (a) MHSA Permanent Loan Closing and full disbursement of the MHSA Permanent Loan; or (b) Certificate of Occupancy or recorded Notice of Completion if applicable and submission to CalHFA of documentation required in the COSR agreement.
- The first advance of COSR will include the first full year of subsidy for the COSR units and a per diem of the COSR from the completion date to the first day of the next quarter. Starting in the second year, advances of COSR will be made quarterly.

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- The first advance of COSR may include 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.
- COSR shall be used to pay:
 - ❖ Approved Operating Expenses in excess of actual Development income attributable to the MHSA Units, and a proportionate share of the manager's unit.
 - ❖ The annual servicing fee of 0.42% attributable to the MHSA capitalized operating subsidy units, and a proportionate share of the attributable to the manager's unit.
 - ❖ The balance of the COSR may be used to pay the following, if funds are available after payment of approved operating expenses and the 0.42% annual servicing fee, 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 COSR units, and a proportionate share of the manager's unit.
 - Annual bond issuance fees, if any, attributable to the COSR units.
 - For those developments that have an allocation of tax credits, Asset Management Fees and Partnership Management Fees in proportion to the number of the MHSA Housing Program units receiving COSR in the development.
 - An annual Operating Reserve deposit not to exceed three percent (3%) of anticipated gross income for the relevant year attributable to the COSR units.
 - Approved deferred developer fees, if any, attributable to the COSR units. This applies to only those developments which have an allocation of tax credits, and whose ownership structure is a limited partnership with an equity investor as the limited partner.

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	<ul style="list-style-type: none"> ➤ Service coordinator salaries and benefits attributable to the COSR units. ❖ COSR shall not be used to pay for the following project costs: <ul style="list-style-type: none"> ➤ amortized debt service payments, ➤ ground lease payments, ➤ Asset Management Fees and Partnership Management Fees in excess of the proportional share of the MHSA Housing Program units receiving COSR in the development, ➤ the operating costs of any non-MHSA Unit, ➤ the operating costs of any MHSA Units for which the Borrower did not apply for and receive a COS award, ➤ cash distributions to the Borrower, ➤ residual receipts payments to other lenders, or ➤ lump sum pay off of other loans.
<p>Occupancy Requirements, Reduction or Termination of the Capitalized Operating Subsidy Reserve (COSR)</p>	<ul style="list-style-type: none"> • Occupancy will be reviewed annually for compliance with MHSA Housing Program requirements. • COSR will be reduced or terminated for developments that do not rent their MHSA Housing Program units to MHSA eligible residents. • COSR will be reduced or terminated for MHSA Housing Program units when the MHSA eligible resident has a housing choice voucher (HCV), absent mitigating circumstances. • COSR will be reduced or terminated for MHSA units that receive project-based rental subsidies from other sources. • COSR is only available while an MHSA eligible resident resides in the unit and is paying the tenant portion of the rent. COSR is not available when the eligible tenant has moved out of the unit unless one of the following exceptions is met: <ul style="list-style-type: none"> ❖ COSR may continue for up to two months upon vacancy of an MHSA Housing Program unit that receives a capitalized operating subsidies. ❖ COSR will continue if the MHSA eligible resident is in a hospital, an acute or long-term care facility, or other institutional setting for up to three months, provided the MHSA eligible resident is expected to return within the three-month period, and the tenant, or service provider or county informs the property manager in writing, and provided that the MHSA tenant portion of the rent is kept current;

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	<ul style="list-style-type: none"> ❖ COSR will continue for up to 90 following the date the MHSA eligible resident moves out of the unit when the eligible resident resides in the unit with other household members who are not MHSA eligible residents; and ❖ If family members who are not MHSA eligible residents continue to reside in the unit after the MHSA eligible resident moves out, they must be given timely legal notice that: (1) the capitalized operating subsidy will be terminated after 90 days; and (2) upon termination, that the unit rent will be increased to the market rent or the highest restricted rental rate applicable to the development.
<p>Supportive Services</p>	<ul style="list-style-type: none"> • All applications must include a supportive services plan, which must meet MHSA Housing Program requirements and must be approved by DMH. • 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. • A supportive services budget, including staffing ratios, will be required one hundred and twenty (120) days prior to anticipated lease up or upon the closing of the MHSA Housing Program Loan, at the county's and borrower's election. • The property management agent and the primary service provider may be the same entity, provided that there is a clear separation of staff and a delineation of their separate roles and responsibilities. • MHSA projects must have a Memorandum of Understanding (MOU) between the developer, the primary service provider(s), 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 draft of the MOU will be required with the application, and an executed MOU approved by CalHFA and State DMH will be due 120 days prior to anticipated lease up.

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<p>Asset Management</p>	<ul style="list-style-type: none"> • All MHSA projects must have an executed management contract with a qualified property management agent with experience with the target population. • CalHFA will hold the COSR and disburse it according to the terms of the COSR Agreement. • Replacement reserves and regular operating reserves for the development may be held by CalHFA. This requirement may be waived at CalHFA's discretion. • Taxes and insurance may 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 developments will be required to submit an annual operating budget, and an annual supportive services budget. • All developments will be required to submit an annual audit prepared by a certified public accountant in accordance with commonly accepted accounting standards. CalHFA will accept a different form of financial certification for Shared Housing Developments and small Rental Housing Developments of 25 or fewer units. • All mixed-use developments which receive a MHSA COSR will be required to submit a bifurcated annual audit. The bifurcated 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. • Please see the CalHFA website for a sample regulatory agreement http://www.calhfa.ca.gov/multifamily/mhsa/index.htm .
<p>Small Counties</p>	<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 counties. 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 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. Please contact CalHFA if an exception is needed for project feasibility. • County specific funds may be combined by small counties to create developments that serve regional needs.

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	<p>While it is anticipated that the MHSAs 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>
<p>County Allocations</p>	<p>MHSA Loan Allocations Per County The county mental health department must certify the eligibility of individuals meeting target population criteria.</p> <ul style="list-style-type: none"> • A total of \$400 million has been made available from the MHSAs for housing development and operating subsidies under this program. • Each county received a portion of the \$400 million and most have assigned those funds to CalHFA. • MHSAs loans and COSR funds are limited to the funds available in the CalHFA-held county sub-account plus any interest earned . • Counties are able to assign additional funds to their sub-account. Account balances can be found in the Semi Annual Report on the DMH website at http://www.dmh.ca.gov/Prop_63/MHSA/Housing/default.asp • Nothing shall prohibit county mental health departments from utilizing other available funds for this program to supplement available funds in their account.
<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 to CalHFA and State DMH regarding supportive services delivery to and housing outcomes for MHSAs eligible residents, on an MHSAs Housing Program Annual Self-Certification form (see CalHFA website http://www.calhfa.ca.gov/multifamily/mhsa/index.htm .
<p>Exception Process</p>	<p>CalHFA may grant exceptions to MHSAs Housing Program requirements upon written request from the county mental health department and/or the sponsor/borrower. Only the county mental health department may request an increase in the allowable maximum loan amount. Please note: the developer/borrower is be responsible for notifying the county mental health department when they submit an exception request.</p> <p>Unless prior written approval is received from CalHFA, the county mental health department and the sponsor/borrower must maintain compliance with all program requirements.</p> <p>No exceptions will be considered for any form of leased housing, deviations from serving the target population or from the approved housing type.</p> <p>CalHFA may exempt the county mental health department and/or the sponsor/borrower from compliance with any program requirements upon receipt and approval 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 provide</p>

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	<p>written notice to the county mental health department and/or the sponsor/borrower, 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 provide written notice to the county mental health department and/or the sponsor/borrower, that the request has been approved, denied, or accepted with conditions and modifications.</p>
Questions	<p>Policy questions regarding the MHSA Housing Program may be directed to CalHFA's Multifamily Programs Division:</p> <p>Bob Deaner, Director of Multifamily Programs Phone: 916.326.8801; Fax: 916.327.5115 Email: bdeaner@calhfa.ca.gov</p> <p>Questions regarding prospective and submitted MHSA Housing Program loan applications may be directed to the following persons in CalHFA's Multifamily Programs Division:</p> <p>Nanette Guevara, MHSA Lead Loan Officer Phone: (916.326.8813); Fax: 916.327.5115 Email: nquevara@calhfa.ca.gov</p> <p>Debra Starbuck, Loan Officer Phone: 530.878.8075; Fax: 530.878.8075 Email: dstarbuck@calhfa.ca.gov</p> <p>Matt Mielewski, Loan Officer Phone: 310-342-5417, Fax 310-342-1226 Email: mmielewski@calhfa.ca.gov</p> <p>Ruth Vakili, Loan Officer Phone: 916.326.8816; Fax: 916.327.5115 Email: rvakili@calhfa.ca.gov</p> <p>Questions on the Mental Health Services Act and the MHSA Housing Program requirements 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:

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While this term sheet attempts to provide accurate information, additional terms and conditions may apply. This program guideline may be amended from time to time by CalHFA and DMH without prior notice.

ATTACHMENT 6
PRE-APPLICATION CHECKLIST

Check Items Attached	Attachment #	Attachment*	Acceptable (FOR AGENCY USE ONLY)
OVERVIEW MATERIALS			
<input type="checkbox"/>	1.	Cover Letter	<input type="checkbox"/>
<input type="checkbox"/>	2.	Pre-Application Checklist	<input type="checkbox"/>
<input type="checkbox"/>	3.	CalHFA Development Summary Form	<input type="checkbox"/>
<input type="checkbox"/>	4.	CalHFA Development Description	<input type="checkbox"/>
DEVELOPMENT TEAM INFORMATION			
<input type="checkbox"/>	1.	Description of Development Team	<input type="checkbox"/>
<input type="checkbox"/>	2.	Contact Information for Development Team Members	<input type="checkbox"/>
<input type="checkbox"/>	3.	Development Team Members' Resumes & Previous Participation	<input type="checkbox"/>
<input type="checkbox"/>	4.	Legal Status Questionnaire	<input type="checkbox"/>
<input type="checkbox"/>	5.	Sponsor/Developer References	<input type="checkbox"/>
<input type="checkbox"/>	6.	Sponsor/Developer Financial Statements	<input type="checkbox"/>
PROJECT INFORMATION			
<input type="checkbox"/>	1.	Project Data	<input type="checkbox"/>
<input type="checkbox"/>	2.	Narrative Description of Existing Uses of Project Site & Environs	<input type="checkbox"/>
<input type="checkbox"/>	3.	Evidence of Site Control & Preliminary Title Report	<input type="checkbox"/>
<input type="checkbox"/>	4.	Narrative Description of Proposed Rehab or New Construction	<input type="checkbox"/>
<input type="checkbox"/>	5.	Status of Entitlements	<input type="checkbox"/>
<input type="checkbox"/>	6.	"As Is" Appraisal (if available)	<input type="checkbox"/>
<input type="checkbox"/>	7.	Phase I Environment Site Assessment (if available)	<input type="checkbox"/>
<input type="checkbox"/>	8.	Soils Report (if available) (for new construction projects only)	<input type="checkbox"/>
<input type="checkbox"/>	9.	Physical Needs Assessment (if available) (for rehab projects only)	<input type="checkbox"/>
PROJECT FINANCING INFORMATION			
<input type="checkbox"/>	1.	Project Proforma	<input type="checkbox"/>
<input type="checkbox"/>	2.	Financing Commitment Letters (to the extent available)	<input type="checkbox"/>
<input type="checkbox"/>	3.	Operating Statements/Rent Roll/Property Tax Bill (for existing projects only)	<input type="checkbox"/>
COMMUNITY OUTREACH			
<input type="checkbox"/>	1.	Development Team Outreach Experience	<input type="checkbox"/>
<input type="checkbox"/>	2.	Community Outreach Plan (if applicable)	<input type="checkbox"/>
<input type="checkbox"/>	3.	Documentation of Community Outreach Efforts to Date	<input type="checkbox"/>
PROJECT TIMELINE			
<input type="checkbox"/>	1.	Full project timeline	<input type="checkbox"/>
OTHER INFORMATION			
<input type="checkbox"/>	1.	Any other information that should be disclosed to San Bernardino County regarding the proposed project	<input type="checkbox"/>

* For fuller descriptions of the items listed, please see Guidelines for Application pages 5 through 8, "The Pre-Application Information Package."

ATTACHMENT 7

DEVELOPMENT SUMMARY FORM
MHSA Housing Program

Development Information

County Mental Health Department: San Bernardino

Name of Development: _____

Site Address(es): _____

City: _____ State: _____ ZIP: _____

Development Sponsor: _____

Development Developer: _____

Primary Service Provider: _____

- New Construction
- Acquisition/Rehabilitation of an existing structure

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: _____

Amount of MHSA funds requested: _____

Request MHSA funds for Capitalized Operating Subsidies: _____

Other Rental Subsidy sources (list if applicable): _____

- Target Population (please check all that apply):
- Adults
 - Transition-Age Youth
 - Children
 - Older Adults

County Contact

Name and Title: Douglas Fazekas, Administrative Manager, Dept. of Behavioral Health
Phone Number: 909-387-7238
Email: dfazekas@dbh.sbcounty.gov

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LEGAL STATUS QUESTIONNAIRE

UA Version 3/12/09

For purposes of the following questions, and with the exceptions noted below, the term "applicant" shall include the applicant and the project sponsor, the parent of the applicant and the project sponsor, and any subsidiary of the applicant or project sponsor if the subsidiary is involved in (for example, as a guarantor) or will be benefited by the application or the Project.

In addition to each of these entities themselves, the term "applicant" shall also include the direct and indirect holders of more than ten percent (10%) of the ownership interests in the entity, as well as the officers, directors, principals and senior executives of the entity if the entity is a corporation, the general and limited partners of the entity if the entity is a partnership, and the members or managers of the entity if the entity is a limited liability company. For projects using tax-exempt bonds, it shall also include the individual who will be executing the bond purchase agreement.

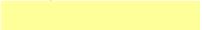
The following questions must be responded to for each entity and person qualifying as an "applicant," as defined above. Explain all positive responses on a separate sheet and include with this questionnaire in the application.

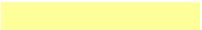
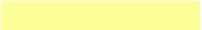
Exceptions:

Public entity applicants without an ownership interest in the proposed Project, including but not limited to cities, counties, and joint powers authorities with 100 or more members, are not required to respond to this questionnaire.

Members of the boards of directors of non-profit corporations, including officers of the boards, are also not required to respond. However, chief executive officers (Executive Directors, Chief Executive Officers, Presidents or their equivalent) must respond, as must chief financial officers (Treasurers, Chief Financial Officers, or their equivalent).

Civil Matters

1. Has the applicant filed a bankruptcy or receivership case or had a bankruptcy or receivership action commenced against it, defaulted on a loan, or been foreclosed against in the **past ten years**? If so, please explain.

2. Is the applicant **currently** a party to, or been notified that it may become a party to, any civil litigation that may materially and adversely affect (a) the financial condition of the applicant's business, or (b) the Project that is the subject of the application? If so, please explain.

3. Have there been any administrative or civil settlements, decisions, or judgments against the applicant within the **past ten years** that materially and adversely affected (a) the financial condition of the applicant's business, or (b) the Project that is the subject of the application? If so, please explain and state the amount.

4. Is the applicant **currently** subject to, or been notified that it may become subject to, any civil or administrative proceeding, examination, or investigation by a local, state or federal licensing or accreditation agency, a local, state or federal taxing authority, or a local, state or federal regulatory or enforcement agency? If yes, please explain.


5. In the ***past ten years***, has the applicant been subject to any civil or administrative proceeding, examination, or investigation by a local, state or federal licensing or accreditation agency, a local, state or federal taxing authority, or a local, state or federal regulatory or enforcement agency that resulted in a settlement, decision, or judgment? If yes to either question numbers 4 or 5, please explain.

Criminal Matters

6. Is the applicant ***currently*** a party to, or the subject of, or been notified that it may become a party to or the subject of, any criminal litigation, proceeding, charge, complaint, examination or investigation, of any kind, involving, or that could result in, ***felony charges*** against the applicant? If so, please explain.

7. Is the applicant ***currently*** a party to, or the subject of, or been notified that it may become a party to or the subject of, any criminal litigation, proceeding, charge, complaint, examination or investigation, of any kind, involving, or that could result in, ***misdemeanor charges*** against the applicant for matters ***relating to the conduct of the applicant's business***? If so, please explain.

8. Is the applicant ***currently*** a party to, or the subject of, or been notified that it may become a party to or the subject of, any criminal litigation, proceeding, charge, complaint, examination or investigation, of any kind, involving, or that could result in, criminal charges (whether felony or misdemeanor) against the applicant for any ***financial or fraud related crime***? If so, please explain.

9. Is the applicant ***currently*** a party to, or the subject of, or been notified that it may become a party to or the subject of, any criminal litigation, proceeding, charge, complaint, examination or investigation, of any kind, that could ***materially affect the financial condition of the applicant's business***?

10. Within the ***past ten years***, has the applicant been convicted of any felony? If so, please explain.

11. Within the ***past ten years***, has the applicant been convicted of any ***misdemeanor related to the conduct of the applicant's business***? If so, please explain.

12. Within the ***past ten years***, has the applicant been convicted of any ***misdemeanor for any financial or fraud related crime***? If so, please explain.

PRINTED NAME OF APPLICANT/PROJECT SPONSOR ENTITY

SIGNATURE (Applicant/Project Sponsor)

DATE

PRINTED NAME OF SIGNATORY

PRINTED TITLE OF SIGNATORY

ATTACHMENT 9

COMMUNITY OUTREACH GUIDELINES

The following guidelines are designed to assist developers of MHSA-targeted housing in obtaining community input and support for supportive housing developments. These guidelines are not meant to be a rigid checklist, but rather a flexible approach that can assist developers in building and maintaining constructive relationships with community and political stakeholders.

Six Steps to Building Community Support

The approach consists of six steps:

- 1. The development team meets early to research, assess, and plan in five key areas.**
- 2. Prepared a political strategy that coordinates all your work toward educating public officials and getting the community support you need.**
- 3. Prepare a strategy to build active community support for your proposal.**
- 4. Prepare a strategy to address community concerns and deal with active opposition.**
- 5. Prepare a public relations/media strategy to inform decision-makers and the public.**
- 6. Be aware of and take steps to protect the legal rights of the involved parties.**

These steps are described in detail below.

1. Plan meetings to research, assess, and plan strategies in five key areas.

Schedule two or more meetings of the entire development team together with local advocates and assign responsibility for organizing the meetings (e.g. inviting key people) to a staff member.

At the first meeting, assess the following:

- The organization's reputation, its capacity to attract broad community support, and its previous experience in dealing with local government, opponents, and the media.
- What local governmental approvals are required, who will decide, what are the processes and criteria for decision-making, and an expected timeline.
- The government and community's current knowledge of and support for supportive housing, the organization's work, and the current proposal.
- Full analysis of the neighborhood surrounding the proposed site (history, problems, assets, etc.)
- Likely concerns neighbors might have; the neighborhood's experience with similar programs, and the potential for support or organized opposition.
- Potential legal issues associated with the development proposal, including the legal rights of all parties.

- The media approach to the proposal.

Based on these assessments, at later meetings, determine:

- i. Strategies toward the local government and community, potential supporters, potential opponents, and legal issues (steps 2-6);
 - ii. Staffing required to implement these strategies; and
 - iii. Any consequences for the proposal's timeline, funding needs, or site selection.
- Each strategy should have a clear plan of action: who will do what, when, and how.
 - Efforts to implement these strategies will be going on simultaneously.
 - Timing issues are critical and must be decided after consultation with persons most familiar with the local government, and the relevant neighborhood.
 - Expect to change and improvise your plans as you go along. You won't regret your planning because it will help you manage the process and avoid surprises.
 - Most importantly, draw on the collective experience of others to gain further insight into the strategies for community acceptance.

2. Prepare a political strategy.

- Get to know the local government and its relevant policies. There are "key leaders" in every community, but they don't always have the same jobs or titles. To find them **always ask, "Who else should we talk with about this?"**
- Identify solid supporters, committed opponents, and those that are uncertain.
- Determine education and advocacy efforts needed to keep supporters and win over those who are uncertain.
- Coordinate efforts with supporters, concerned community members, and the media to gather support.
- Document everything and ensure that all information being provided in writing at public hearings or smaller meetings accurately and positively presents the proposal.

3. Prepare a strategy to build public support.

- **Active, vocal community support** for the proposal will help get political support, counter opponents, tell the accurate story to the media (if needed) and, when appropriate, say hard things that must be said.
- Identify and prioritize actual and potential supporters, including tactical allies. Think widely about potential allies before contacting potential opponents.
- Plan recruitment of supporters and what you want them to do.
- Support allies with background information, housing tours, and up-to-date information.
- Mobilize supporters at critical points (e.g. using a database and fact sheets).

4. Prepare a strategy to address community issues.

- Notification and community outreach decisions should be designed (1) to bring up and effectively deal with legitimate concerns; and (2) for positive presentation of the proposal.
- Consider alternative methods for community outreach (e.g. door-to-door canvassing, open-house forums, or small house meetings) instead of large, open community meetings.
- Use an issue-based strategy for working through local community concerns.
- Find out the probable basis of concerns before fashioning a response (e.g. misinformation, fears about impacts, expectation to participate, prejudice, or issues unrelated to your proposal).
- Prepare appropriate responses to each kind of concern (e.g. education, reassurance by a trusted authority, appropriate forums for participation, negotiation, clarifying legitimate/illegitimate issues).

5. Prepare a public relations/media strategy.

- Plan ahead in order to be able to respond effectively to any negative media coverage you receive or believe you will receive.
- Designate and prepare spokesperson(s), including former clients and supporters.
- Develop message(s) for target audiences (e.g. decision makers).
- Prepare brief, easily faxable fact sheets about the organization, the proposal, the supporters, efforts to resolve legitimate community concerns and other information to support the proposal.
- Invite reporters for a tour of existing developments and to meet staff and clients.
- Follow up on any coverage received with thank-you's or corrections.
- Develop on-going relationships with media (to the degree resources allow).

6. Prepare a legal strategy.

- Be aware of the legal rights of the prospective tenants' (including those around privacy) as well as the legal rights of neighbors and the surrounding community, so that you can identify potential legal issue.
- Maintain constructive relationships to avoid legal issues.

Additional Outreach Principles

Low-keyed contact with neighbors, with the support of local allies, is the most effective form of outreach. The most effective forms of low-keyed contacts are person to person or small group "house meetings."

In small meetings, the goal is to *humanize the issue*: give it a face that the audience can understand and empathize with; depolarize the potential residents and the program to help

remove them as the issue. If possible, have potential residents attend and tell their story. Trying to convince people intellectually about the merits of an issue they oppose with facts, laws, and details, does not affect their *feelings* about the issue.

The team should reflect the cultural diversity of the community and the clients.

Because MHSA developments are, by definition, meant for populations with special needs, the developer (with the service provider, if possible) and the neighborhood should discuss the following non-exclusive list of issues:

- Developer/service provider history with housing and services offered.
- The characteristics of the residents to be served by the proposed housing, including numbers, general daily activities, and schedules.
- The type of staffing proposed, the support services offered and whether they are mandatory or just available, whether on or off site.
- The service provider's history and reputation, including characteristics of success and failure within the program, in general terms (e.g. possible outcomes for clients and how the program will respond to each possibility).
- The neighborhood and characteristics of the area that might be of concern to neighbors and developer alike.
- Mechanisms for communication between the developer, service provider, management staff, and the proposed project's neighbors. The developer should provide a 24-hour contact number if one exists, or the best after-hours contact available. The neighborhood should identify person who can act as a point of contact for the developer. The security of knowing who/where to call to get a response is important. Discuss how to maintain on-going communications, (e.g. repeat visits to community meetings or written updates for newsletters).
- Names of interested neighborhood organizations and how to contact them.
- Development of a community advisory committee if needed. An advisory board is an excellent vehicle for mutual education and effective communication.