



Tehama County Health Services Agency, Mental Health Division

Local Government Special Needs Housing Program (SNHP)

Local Government Application & Approval Process

The Local Government Special Needs Housing Program provides financing from the Mental Health Services Act (MHSA) for the development of permanent supportive rental housing. The housing developer will combine other affordable housing funds with the MHSA funds to develop a project. The units are restricted for occupancy by individuals with serious mental illness, and their families, who are chronically homeless, homeless or at risk of homelessness.

Brief Summary from California Housing Finance Agency (CalHFA) Term Sheet

(Please see CalHFA's Local Government Special Needs Housing Program Term Sheet, dated 12/13/16, for more details) (Website <http://www.calhfa.ca.gov/multifamily/snhp/index.htm>)

- Tehama County has assigned their MHSA Special Needs Housing Program funds, approx., \$848,300, to the California Housing Finance Agency (CalHFA)
- 1% Local Government Fee: Tehama County **will not** charge developers a 1% Local Government Application Fee (CalHFA Term Sheet, page 2)
- Eligible use for SNHP funds is for the construction and/or permanent financing of rental units
- Both Rental Housing Developments and Shared Housing Developments are permitted (at this time, shared housing is not a preference for Tehama County)
- The interest rate is 3% simple interest loan; residual receipts payments required be paid from 50% of surplus cash flow (residual receipts means the balance of surplus cash remaining after payment of Borrower's allowable distribution)
- Recommended SNHP Loan Limits for 2017 is \$145,600 per SNHP regulated unit (may increase by 4%/year)
- Loan terms are for 20-57 years
- CalHFA will charge an annual servicing fee of \$2,500 for shared housing, 1-4 units, and \$7,500 for five or more SNHP units in a rental housing project
- Capitalized Operating Subsidy Reserve (COSR) are available to subsidize operation costs for the SNHP regulated unit
- Recommended 2017 COSR limit is \$145,600 per assisted unit (may increase by 4% a year)
- COSR is sized to pay a pro-rata share of the Project's operating expenses and sized to last a minimum of 17 years, with an assumption of a 10% vacancy rate of SNHP units
- COSR's are capitalized at SNHP loan closing and serviced by CalHFA
- CalHFA will charge a \$5,000 annual COSR servicing fee

- Tehama County and Developer/Borrower will jointly submit a CalHFA SNHP Financing Application with the required \$2,500 Application Fee (paid by Developer); signed Local Government Certification (Attachment A); a draft Supportive Service Plan (Attachment A-1); the signed Developer/Borrower Certification (Attachment B); and the signed and approved SNHP Regulated Unit Occupancy Restrictions (Attachment B-1). Application submittal instructions and the SNHP Financing Application (Universal Application), Attachments, and required submittal checklist are available on CalHFA's SNHP website on the "Developer Application" tab
- CalHFA's role is to recommend maximum loans and COSR funding levels so projects aren't over subsidized; provide evidence of Loan/COSR approvals to Tehama County and Borrower; issue a Commitment Letter following receipt of tax credits, if applicable; close and fund the SNHP loan and administer the COSR for as long as COSR funds are available

Tehama County Application & Approval Process

(Some loan references from original CalHFA MHSA Term Sheet published 9/22/14)

The Tehama County Health Services Agency, Mental Health Division (TCHSA) will prepare and select proposals using an Expression of Interest, a non-competitive solicitation. Proposals accepted on an over-the-counter basis until SNHP funds are fully committed to permanent supportive housing projects.

Tehama County will review proposals for the following items:

- Number and size of the units, by bedroom count, of the SNHP regulated units. A minimum of 5-units in all rental housing developments shall be set aside for SNHP eligible residents. A decision of how many units to set aside above the 5-unit minimum will be decided by the County and the developer. 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 consists of a toilet, sink and shower and/or bathtub. A half-bath shall consist of a toilet and a sink
- TCHSA preference is to support projects that will serve adults 18 years and older with serious mental illness who are chronically homeless, homeless, or at risk of homelessness
- At tenant referral and selection process, the project partners will prioritize serving chronically homeless utilizing the local Coordinated Entry System, if available
- Any other lender subsidy required occupancy restrictions that overlay the SNHP regulated units that are more restrictive than required by SNHP (i.e. income levels)
- The Borrower is responsible for all external transaction costs and third party studies
- 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. Permanent loans will be secured against the property and the improvements by a promissory note, a deed of trust and regulatory agreement (TCHSA will not allow funds to be used for predevelopment)
- 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 SNHP eligible residents and the proportionate share of the manager's unit and not the total number of units in the proposed development
- SNHP loan funds may trigger prevailing wage requirements. Applicants are advised to consult their attorney on this issue

- SNHP target population requirements may trigger conflicts with federal funding sources. Applicants are advised to consult their attorney on this issue
- The minimum SNHP loan amount per project is \$500,000
- TCHSA will not allow SNHP funds to be used for predevelopment loans
- Capitalized Operating Subsidy Reserves (COSR) amounts will be determined by CalHFA, and may be available for developments that receive SNHP permanent loan funds. No COSRs are available for a project that will not receive an SNHP permanent loan
- TCHSA preference is to develop Rental Housing Developments and not shared housing developments. Rental Housing Developments must have five or more residential units restricted to rent for SNHP eligible residents
- Each SNHP 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 SNHP eligible resident
- All units in a rental housing development shall include, at minimum, a living area, a sleeping area, a kitchen area and a full bathroom. The kitchen area shall at minimum consist of a sink, refrigerator, cupboard space, counter area microwave or oven, and a two-burner stove or built-in cook top.
- Qualified Developers/Borrowers will be evaluated both for their ability to successfully develop and manage the rental housing, and for their ability to partner with the lead service provider (TCHSA) for the deliverance of services to the target population
- Applicants must provide 100% of the capital costs of the non-SNHP units from other sources. The resident manager's unit shall be prorated
- TCHSA will provide supportive services that meet the needs of the SNHP participant for the term of the SNHP loan, and will develop a Supportive Service Plan (SSP) that addresses the participants' needs. Please note a draft SSP and budget is required for the SNHP Application, and a final SSP and budget is required prior to the SNHP loan closing and is attached to the SNHP Regulatory Agreement
- TCHSA will negotiate and prepare a Memorandum of Understanding (MOU) between Tehama County, Developer/Borrower, Property Management, and Primary Service Provider. A signed copy will be sent to CalHFA prior to occupancy of the SNHP regulated units
- The SNHP project may be subject to a 30 day local review process
- A signed submission of the application by TCHSA will signify the county's approval of the capital funding request for the development, the COSR funding request for the development, if applicable, and the commitment of the county to provide funding for supportive services for the eligible residents for the term of the SNHP loan
- Ineligible use of funds include any form of leased housing (i.e., master lease programs), changes from serving target population, and changes from the approved housing types
- TCHSA will be responsible for reporting the use of MESA funds as required by State Department of Health Care Services (DHCS) and CalHFA and/or other state agencies
- To the extent possible, TCHSA and project partners will utilize the local Coordinated Entry System, if available, to screen for eligible residents

Special Needs Housing Program Target Population and Certification Requirements (as defined by CalHFA Term Sheet)

- Adults or older adults with serious mental illness as defined by Welfare and Institutions Code Section 5600.3(b)
- In addition to meeting the above, the individual shall be one of the following:
 - Homeless, meaning living on the Streets or lacking a fixed and regular night-time residence. This includes living in a shelter, motel or other temporary living situation in which the individual has no tenant rights.
 - At risk of being homeless due to one of the following situations:
 - (i) Transition age youth exiting the child welfare or juvenile justice systems.
 - (ii) Discharge from crisis and transitional residential settings; a hospital, including acute psychiatric hospitals; psychiatric health facilities; skilled nursing facilities with a certified special treatment program for the mentally disordered; and mental health rehabilitation centers.
 - (iii) Release from city or county jails
 - (iv) Temporarily placed in 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 at imminent risk of homelessness.
 - Chronically Homeless is defined by HUD to mean an adult or older adult with a Serious Mental Health Disorder who meet the criteria according to 24 Code of Federal Regulations Section 578.3, as that section read on May 1, 2016
- Tehama County Health Services Agency, Mental Health Division will confirm the eligibility of individuals applying for tenancy in a SNHP unit in compliance with the target population criteria

Please note the information contained in this document is subject to change. Additional terms and conditions may apply. Please reference CalHFA's Mental Health Services Act Housing Program Term Sheet, dated 9/22/14, and CalHFA's Local Government Special Needs Housing Program Term Sheet for Participating Agencies, dated 12/13/2016, for more details.