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LOS ANGELES COUNTY DEPARTMENT OF MENTAL HEALTH
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ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

22 June 21, 2016

LORI GLASGOW
EXECUTIVE OFFICER

June 21, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

APPROVAL TO ENTER INTO AGREEMENT WITH CALIFORNIA HOUSING FINANCE AGENCY FOR ADMINISTRATION OF THE NEW LOCAL GOVERNMENT SPECIAL NEEDS HOUSING PROGRAM
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)

SUBJECT

Request approval to enter into agreement with the California Housing Finance Agency to participate in the newly developed Local Government Special Needs Housing Program to ensure continued development of permanent supportive housing for mental health consumers and families residing in Los Angeles County.

IT IS RECOMMENDED THAT THE BOARD:

1. Authorize the Acting Director of Mental Health (Acting Director) or her designee, to execute an agreement, substantially similar to Attachment I, with California Housing Finance Agency (CalHFA) to participate in the Local Government Special Needs Housing Program (SNHP) for the ongoing development of permanent supportive housing for mental health consumers and their families residing in Los Angeles County.

2. Authorize the Acting Director or her designee to complete and sign the MHSA Fund Release Authorization forms, substantially similar to Attachments II and III, on an annual basis (or more often as appropriate) to instruct CalHFA on the process for handling MHSA Housing Program funds, which may include: (1) transferring funding, accrued interest and/or loan repayments to the SNHP or (2) allocating unencumbered funding, interest accrued and/or loan repayments to existing projects to extend the Capitalized Operating Subsidy Reserves (COSR) term or to increase the capital

development funding commitments of existing housing projects developed under the MHSA Housing Program.

3. Delegate Authority to the Acting Director or her designee, to transfer new funding to the SNHP, provided that: 1) the County's total payments to the contractor in any fiscal year will not exceed an increase of 25 percent of the total amount of funding transferred to Cal HFA for the MHSA Housing Program and the SNHP up to and including amounts for FY 2016-17 (Attachment IV); 2) any such increase will be used for permanent supportive housing projects developed under the MHSA Housing Program and/or SNHP; 3) your Board has appropriated sufficient funds for all changes; 4) approval from County Counsel, or designee, is obtained prior to such transfers; and 5) the Director notifies your Board and the Chief Executive Officer of Agreement changes in writing within 30 days after execution of each transfer.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Permanent supportive housing is a critical element of wellness, recovery and resiliency for persons with mental illness that are homeless. Board approval of the recommended actions will allow DMH to enter into a participation agreement with CalHFA to participate in the SNHP, which is a newly developed program allowing counties to continue their relationship with CalHFA, established under the MHSA Housing Program, which terminated on May 30, 2016. CalHFA will provide participating counties with housing development expertise and real estate lending services for the construction, rehabilitation, and/or development of housing for persons qualifying for mental health services under MHSA. CalHFA will utilize new funding to develop new projects and will continue to administer the existing projects that they are currently managing.

Approval of this agreement ensures future housing units can be developed for eligible mental health consumers and their families. In addition, it ensures ongoing oversight and operation of these housing projects, which is critical to mental health consumers and families that have already transitioned into permanent supportive housing as a result of the program.

Implementation of Strategic Plan Goals

The recommended actions support the County's Strategic Plan Goal 2, "Community Support and Responsiveness", and Goal 3, "Integrated Services Delivery".

FISCAL IMPACT/FINANCING

The Participation Agreement for the SNHP does not have a total contract amount. The Agreement will allow the transfer of funds to CalHFA for the SNHP. DMH anticipates the transfer of an estimated $1.2 million for housing developments under the SNHP in FY 2015-16. The $1.2 million is fully funded with State MHSA revenue and is included in the FY 2015-16 Final Adopted Budget.

DMH anticipates transferring another estimated $18.9 million in FY 2016-17 and $423,491 annually through FY 2031-32. These amounts are fully funded by State MHSA revenue and will be included in the annual budget processes for the respective fiscal years.

There is no net County cost associated with these recommended actions.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Through a joint effort among the State Department of Mental Health, CalHFA, and the County Behavioral Health Directors Association, the MHSA Housing Program was created in 2007 as a limited term program to administer $400,000,000 statewide of MHSA funds set aside to finance permanent supportive housing for individuals with mental illness. Los Angeles County's initial commitment was $115 million.

The MHSA Housing Program ended on May 30, 2016. All original funding amounts for the program for Los Angeles County are committed to existing housing projects. California Counties now have the opportunity to contract directly with CalHFA to continue oversight of the existing housing projects developed under the MHSA Housing Program and for the administration of the new SNHP. The SNHP will ensure continued development of safe, affordable, and permanent housing for mental health consumers and families in Los Angeles County that are eligible to receive MHSA funded housing.

CalHFA is the state's affordable housing bank, with expertise in developing and administering real estate lending programs and products benefiting persons of low and moderate income. CalHFA is authorized to enter into contracts to create and administer housing and real estate lending programs for the benefit of other governmental entities in the State of California.

CONTRACTING PROCESS

The California Behavioral Health Director's Association along with the California Counties negotiated the terms of the SNHP with CalHFA which builds on the success of the recently expired MHSA Housing Program. This program allows localities to assign MHSA or local funds as well as future MHSA program loan repayments to CalHFA to develop new MHSA housing, to fund COSR for new projects or to replenish the COSR for projects financed through the MHSA Housing Program. The program requires evidence of County Board of Supervisors' approval to enter into the Participation Agreement, to authorize the transfer of unused MHSA Housing Program funds to existing COSR's or the new SNHP and to authorize the future loan payments to be transferred to the SNHP. DMH will continue to use the local process for allocating funds that include an Expression of Interest and review of all Letters of Interest by the MHSA Housing Advisory Board made up of local stakeholders and the representatives from each Board office that will make funding recommendations based on locally established funding principles. All project sponsors funded by the SNHP must partner with DMH who will provide the mental health services to the tenants of the MHSA funded units. CalHFA will be responsible for the review and final approval of SNHP applications for all aspects related to the purchase, renovation and/or construction of housing development and underwrites the loan to the project sponsor. DMH will be responsible for reviewing the service related aspects of the application and for monitoring the project to assure that appropriate onsite supportive services are provided. Once the housing units are complete, DMH certifies that applicants for the units meet the SNHP target population and ensures that services are provided to the tenants and that all required outcome data is collected. Consistent with the SNHP guidelines, DMH will enters into a Memorandum of Understanding with the principal parties including the project sponsor, property management company and the onsite supportive service provider. The capital funding is distributed in the form of a loan through a contractual agreement between CalHFA and the eligible borrower.

The operating subsidies are distributed as a grant.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Board approval of the recommended actions will allow DMH to participate in the SNHP which is critical to continuing the development of permanent supportive housing for homeless individuals with mental illness and their families throughout Los Angeles County. Development and operation of permanent supportive housing to this population is critical to achieving Los Angeles County's plan to end homelessness as outlined in the Homeless Initiative approved by the Board on February 9, 2016.

Respectfully submitted,

Robin Kay, Ph.D

ROBIN KAY, Ph.D.

Acting Director of Mental Health

RK:DM:AB:dkh

Enclosures

c: Executive Office, Board of Supervisors
Chief Executive Office
County Counsel
Chairperson, Mental Health Commission

Participation Agreement

Local Government Special Needs Housing Program

This Participation Agreement ("***Agreement***") for the Local Government Special Needs Housing Program ("***SNHP***" or "***Program***") is entered into and effective as of _____, 2016, by and between _____ ("***Participant***") and the California Housing Finance Agency ("***CalHFA***" or "***Agency***") (each a "***Party***", and collectively the "***Parties***").

RECITALS

A. In 2004, the people of the State of California passed Proposition 63, which established the Mental Health Services Act ("***MHSA***" or the "***Act***"), as subsequently amended. The Act creates the Mental Health Services Fund ("***MHSF***") within the State Treasury for the purposes of funding programs authorized under the Act.

B. Through a joint effort among the State Department of Mental Health (DMH), CalHFA, and the County Mental Health Directors Association, the MHSA housing program was created in 2008 as a limited term program to administer $400,000,000 of MHSA funds set aside to finance permanent supportive housing for individuals with mental illness (the "***MHSA Housing Program***"). With nearly all of the original funding expended or committed, no new financing for housing under the MHSA Housing Program shall be approved after May 30, 2016.

C. Safe, affordable, decent and stable housing is a critical element for wellness, recovery and resiliency for persons with mental illness. The Participant has determined that funds from the MHSF may be used to provide for such housing for persons qualified for services under the Act.

D. CalHFA is the state's affordable housing bank, with expertise in developing and administering real estate lending programs and products benefiting persons of low and moderate income. CalHFA is authorized to enter into contracts to create and administer housing and real estate lending programs for the benefit of other governmental entities in the State of California.

E. This purpose of this Program is to provide an option, subsequent to termination of approvals of new financing under the MHSA Housing Program, for Participants to continue partnering with CalHFA in the development of supportive housing for MHSA-eligible persons, and to more fully utilize MHSA funds for housing purposes.

F. The Participant and CalHFA enter into this Agreement for the purpose of authorizing Participant to provide funding to CalHFA to provide housing development expertise and real estate lending services to the Participant for the construction, rehabilitation, and/or development of housing for persons qualifying for mental health services under the Act.

AGREEMENT

1. Definitions.

"**Act**" is defined in Recital A.

"**Agreement**" means this Participation Agreement

"**Application**" means a Local Government Special Needs Housing Program Application submitted to CalHFA by the Participant and Developer(s).

"**Application Fee**" is defined in Section 4.6.2.

"**Area Median Income"** ("**AMI**")" means the median gross income of the area in which the Development is located as determined by the Secretary of the Treasury of the United States for the purposes of Section 42 of the Internal Revenue Code of 1986, adjusted for family size in accordance with 26 USC 42(g)(2)(c)(ii).

"**Assignment Agreement**" is defined in Section 4.1.

"**Borrower**" means the party, or parties, to whom a Loan is made under this Program.

"**CalHFA**" means the California Housing Finance Agency, a public instrumentality and political subdivision of the State of California.

"**Capitalized Operating Subsidy Reserve** ("**COSR**")" means a capitalized operating subsidy reserve held by CalHFA to cover deficits in operating expenses attributable to a portion or all of the COSR Regulated Units. The COSR will be subject to the terms of a Capitalized Operating Subsidy Reserve Agreement between the Borrower and CalHFA.

"**Certificate of Occupancy**" means a certificate, or equivalent, issued by a local building department to the Borrower that indicates that the Development has met all local code requirements and is ready for occupancy.

"**Concept Meeting**" is defined in Section 5.1.7.

"**COSR**" is defined in Section 2.8.

"**COSRA**" or "**COSR Agreement**" means the agreement between the Borrower and CalHFA governing the COSR.

"**COSR-Assisted Unit**" is defined in Section 2.8.

"**COSR Servicing Fee**" is defined in Section 4.6.5.

"**CTCAC**" means the California Tax Credit Allocation Committee, which approves the competitive allocation of state and federal tax credits to eligible developments.

"**Developer**" means the party selected by a Participant to acquire and renovate or build rental housing that includes rental units reserved for Eligible Clients.

"**Development**" means a housing development for which funds are provided under this Program.

"**Development Proposal**" means a financial proposal by a Developer to renovate or construct a rental or shared housing development that will include units reserved for occupancy by Eligible Clients. A Development Proposal includes the site location and environmental concerns, a summary of the proposed unit mix, rents, any income limits, the proposed sources and uses of funds needed to build the Development, operating expense and vacancy projections, and a 30-year cash flow analysis of the Development following issuance of a Certificate of Occupancy.

"**Eligible Clients**" means a person (including Veterans) who is Homeless or at Risk of Homelessness and who has a mental illness in accordance with California Welfare & Institutions Code Section 5600.3(a) and/or California Welfare & Institutions Code Section 5600.3(b).

"**Eligible Development**" means a Development eligible for financing under this Program, as described in Section 2.5.

"**Final Commitment Letter**" means a letter issued by CalHFA to memorialize the terms and conditions relating to the use of Program Funds and conditions relating to a proposed Development and units reserved for Eligible Clients, including (a) the terms and conditions of the Loan and COSR approval; (b) any reserve requirements, (c) the required Loan lien priority; and (d) any special conditions related to the Development financing or scope of rehabilitation or construction.

"**Financial Analysis**" means the comparison of the Development's anticipated sources of funds to the anticipated development costs, and an income and expense analysis based on proposed rents, utility allowances, vacancy assumptions, rental subsidies, operating expenses, debt service. This analysis allows CalHFA to determine the projected COSR funding levels needed to subsidize the MHSA COSR Assisted Units, and any subsidy, operating or replacement reserves needed to ensure the financial viability of the Development over the first 20-30 years of operations.

"**Homeless or at Risk of Homelessness**" means 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 Homelessness" may be due to one of the following situations: (a) transition age youth exiting the child welfare or juvenile justice systems; (b) 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; (c) release from city or county jails, but not a parolee from state prison; (d) temporary placement in a residential care facility upon discharge from (b) or (c) above; and (e) individuals who have been assessed and are receiving services from the County Mental Health Department and who have been deemed to be at imminent risk of homelessness, as certified by the County Mental Health Director.

"**Loan**" means a secured loan financed with Program Funds under the terms of the Program.

"**Memorandum of Understanding**" or "**MOU**" means an agreement between the developer, the primary service provider(s), the property management company, and the Participant to ensure compliance with the Regulatory Agreement terms and other Development regulatory agreements that may impose income restrictions or more restrictive rent limits on the Regulated Units. 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.

"**MHSA Housing Program**" is defined in Recital B. The MHSA Housing Program is governed by an Interagency Agreement solely between CalHFA and the State Department of Health Care Services ("***DHCS***") (the successor to DMH), with continuing obligations of CalHFA and DHCS. Housing financed under the MHSA Housing Program remains subject to the terms thereof.

"**MHSF**" is defined in Recital A.

"**Participant**" means any local mental health agency, or two local government agencies acting jointly, receiving MHSA funds pursuant to Welfare and Institutions Code Section 5701.5 (9 CCR § 3200.090) and which is a Party to this Agreement.

"**Participant Funds**" means MHSA or other funds transferred from the Participant to CalHFA for use per the terms of the Program and this Agreement, and may include residual receipt loan payments received by CalHFA for repayment of MHSA Housing Program loans or SNHP Loans that the Participant approves for transfer to CalHFA for use per the terms of the Program and this Agreement.

"**Participant's Account**" means an account established at CalHFA for the purpose of holding Participant Funds transferred to CalHFA under the terms of the Program and this Agreement, which may include sub-accounts. The Participant's Account includes quarterly interest earnings, disencumbered COSR funds, and may include residual receipt loan payments authorized by Participant to be deposited therein.

"**Party**" and "**Parties**" are defined in the first paragraph of this Agreement.

"**Permanent Loan Conversion**" means the conversion of construction loans to permanent status, and may include payment in full or part of the principal of a construction loan or the funding of additional loans upon completion of construction. Permanent Loan Conversion may be subject to additional due diligence requirements.

"**Primary Service Provider**" means the entity responsible for overall implementation and delivery of the supportive services to the Eligible Clients as specified in an Eligible Development's supportive services plan approved by the Participant.

"**Program**" or "**SNHP**" shall mean the Local Government Special Needs Housing Program administered by CalHFA in accordance with this Agreement.

"**Program Funds**" shall mean Participant Funds transferred to CalHFA, plus accrued interest, to be used to finance SNHP Loans or COSR's for Eligible Developments or such other purposes agreed upon by the Parties.

"**Program Participation Fee**" or "**PPF**" is defined in Section 4.5.

"**Regulated Unit**" means a rent and occupancy-restricted bedroom or unit in a Development reserved for Eligible Clients under the Program.

"**Regulatory Agreement**" means a Development-specific regulatory agreement that restricts occupancy of a specific number of units/bedrooms reserved for Eligible Clients. The Regulatory Agreement shall (a) identify the number, size (number of bedrooms), and use or occupancy restrictions of the Regulated Units; (b) specify the maximum rents for the regulated units; and (c) be recorded senior to the Loan deed of trust.

"**Rental Housing Development**" means an apartment building or buildings with five or more apartments. Individual apartments or bedrooms within an apartment may be rented to Eligible Clients as Shared Housing Units. A Rental Housing Development shall not include a Development which is subject to any State of California licensure requirements.

"**Servicing**" is defined in Section 6.2.

"**Servicing Fee**" is defined in Section 4.6.5.

"**Shared Housing Development**" means a residential building having less than five apartments (a single family home, duplex, tri-plex or four-plex), with each bedroom rented to an Eligible Client and is not subject to any State of California licensure requirements. Each bedroom within a Shared Housing Development is a Regulated Unit and considered a "**Shared Housing Unit**".

"**Shared Housing Unit"** means a bedroom that is leased to an Eligible Client living in a Shared Housing Development or a Rental Housing Development.

"**SNHP**" or "**Program**" means the Local Government Special Needs Housing Program developed and administered by CalHFA in accordance with this Agreement.

"**Term Sheet**" is defined in Section 2.10

"**Underwriting Fee**" is defined in Section 4.6.3.

"**Unit**" means (a) a traditional apartment residence containing at least one (1) bathroom and a kitchen in the case of Rental Housing Developments; or (b) a separate lockable bedroom in the case of Shared Housing Developments, with each bedroom being subject to a separate individual rental agreement.

2. General Program Description

2.1 Purpose. The purpose of the Program is to allow local government recipients of MHSA funds to partner with and utilize CalHFA's expertise to jointly provide supportive housing and housing

assistance for Eligible Clients (and their families). This Program is separate and independent from the MHSA Housing Program. This Program shall not affect the rights and obligations of any party under the MHSA Housing Program, and the MHSA Housing Program shall not affect the rights and obligations of any party under this Program.

2.2 Participant's Role. Eligible Participants include local governments that provide MHSA and/or other funds (collectively, the ***"Program Funds"***) to CalHFA for the purpose of providing financial assistance in accordance with this Agreement. Participant shall be responsible for those items listed in Section 3.1.

2.3 Eligible Use of Program Funds. Program Funds may be used to finance capital development loans for the development of new permanent supportive rental housing and to provide operating subsidies for some, or all of the rental housing units reserved for Eligible Clients. Subject to CalHFA approval, and such conditions deemed necessary or advisable by CalHFA, Program Funds may also be used to provide financial assistance to housing developments financed under the MHSA Housing Program.

2.4 Eligible Borrowers. The Borrower must be legally organized as a single-asset entity, or entity that holds title only to MHSA or SNHP Developments, or as otherwise approved by Participant.

2.5 Eligible Developments. Eligible Developments include new construction or the acquisition and rehabilitation of a Rental Housing Development or Shared Housing Development to provide new permanent supportive housing for Eligible Clients, which may include occupancy restrictions (including preferences or other restrictions), such as units for seniors, veterans, or transitional aged youth, as determined by Participant. Master leasing is not permitted.

2.6 Loans

2.6.1 Loans shall be fixed at 3% simple interest (unless otherwise approved by Participant), require annual residual receipt payments (in accordance with the Regulatory Agreement), and have a minimum term of twenty (20) years. Proposed Loans must be sized based on the recommended Loan Limits reflected on the most current Term Sheet, unless otherwise approved by Participant.

2.6.2 Accrued interest and principal payments on Loans will be required on an annual basis, payable from residual receipts (*i.e.*, from 50% of surplus cash after payment of approved operating expenses) to the extent available and in proportion to other residual receipts lenders' loan amounts, as more particularly described in the Regulatory Agreement and Loan documents.

2.6.3 Accrued and unpaid interest and principal shall be due and payable in full upon maturity of the Loan, except as otherwise approved by Participant.

2.6.4 The Loan term shall be coterminous with the term of the Development's shortest residual receipts or deferred loan, except as otherwise approved by Participant.

2.6.5 The Loan shall be secured against the fee interest in the property (or leasehold interest if approved by Participant) in a lien position based on size of the Loan compared to other residual receipt loans or as otherwise approved by Participant.

2.6.6 Predevelopment loans are not permitted under the Program. Loan closing may only occur prior to the start of construction or at Permanent Loan Conversion.

2.7 Regulated Units. A Regulatory Agreement will be recorded and will restrict the Development and the Regulated Units.

2.8 Capitalized Operating Subsidy Reserve. The Participant may elect to provide a capitalized operating subsidy reserve (the "***COSR***") funded with Program Funds to subsidize the rents of some or all of the Regulated Units (the "***COSR-Assisted Units***") by approving a maximum COSR as part of the Application.

2.8.1 COSR funds shall be held by CalHFA in a Development-specific reserve account subject to the terms of the COSR Agreement.

2.8.2 Except as otherwise approved by Participant, the rents for COSR-Assisted Units shall not exceed the greater of: (a) 30% of the current SSI/SSP grant amount for a single individual living independently (less CTCAC utility expenses and other mandatory fees); or (b) 30% of total household income (less CTCAC utility expense and other mandatory fees), whichever is higher (up to 30% of 30% of AMI adjusted for family size and determined annually by CTCAC).

2.8.3 CalHFA is responsible for advising the Participant of the continuing need for the COSR if a Development receives new operating or rental subsidies for the COSR-Assisted Units. If the COSR is no longer needed, the COSR funds shall be disencumbered and returned to Participant's Account.

2.9 MHSA Housing Program Development Assistance. As a convenience to Participants with housing developments financed under the MHSA Housing Program, CalHFA will permit a Participant to request that Program Funds in Participant's Account be transferred to and used to provide financial assistance for housing developments financed under the MHSA Housing Program. The use of Program Funds for such purpose shall be subject to CalHFA approval and to such conditions deemed necessary or advisable by CalHFA, or as otherwise required under the MHSA Housing Program.

2.9.1 Requests under this Section 2.9 shall be in written form acceptable to CalHFA and signed by an authorized representative of Participant.

2.9.2 Program Funds transferred under this Section 2.9 may be used for any purpose that benefits the development or the MHSA tenants, including without limitation providing additional funds for operating subsidy reserves, paying costs and expenses in connection with ensuring the continued availability of the MHSA units, and protecting or preserving the security interest in the MHSA Housing Program development.

2.9.3 Program Funds transferred to or used for MHSA Housing Program developments shall thereafter be subject to the terms of the MHSA Housing Program.

2.10 Term Sheet. CalHFA shall publish a SNHP Term Sheet (the "***Term Sheet***") on its website (www.calhfa.ca.gov) providing details of the Program, including recommended Loan and COSR limits per Regulated Unit, required Borrower or Developer-paid fees, and reserve requirements. The Term Sheet is subject to change at CalHFA's discretion; Participants will be notified of changes. In the event of a conflict between this Agreement and Term Sheet, the provisions of this Agreement shall control. A Participant may provide its own term sheet to sponsors or developers detailing supplemental Program terms and conditions.

2.11 Lender. Program Funds being used under this Program are being provided by the Participant and are being loaned or otherwise used in accordance with the Participant's direction. All Loan payments, interest, and other income with respect to the Program Funds shall be deposited in the Participant's Account unless otherwise directed by Participant. Because CalHFA shall be underwriting and closing the Loans in accordance with this Agreement, the Loan documents shall be in the name of CalHFA, solely for ease of administration. CalHFA's obligations and responsibilities in this regard shall be limited as prescribed herein.

2.12 Collaborative Effort. As a jointly created and administered Program, the Parties shall continue to work together to address and resolve issues that may arise with respect to the Program or a particular Development.

3. General Responsibilities of the Parties

The general responsibilities of the Parties concerning the operation and implementation of the Program are listed below, subject to any specific requirements provided elsewhere in this Agreement, in statute and/or in regulation.

3.1 Participant Responsibilities. Participant shall be responsible for each of the following general matters with respect to the Program:

3.1.1 The interpretation and implementation of the terms of the Act with respect to matters relating to mental health programs and services contemplated by the Act, including the definition of persons qualifying for services under the Act, as such may affect the Program.

3.1.2 Determination of the qualification for and delivery of the mental health and supportive services under the Program and the Eligible Client population.

3.1.3 All agreements, contracts, consents, public notices, and approvals by or with local agencies, or other entities that may be required by the Act, or otherwise needed to implement the Program.

3.1.4 All matters related to Participant Funds (whether from MHSF or another source) provided to CalHFA for the Program, including approvals that may be required prior to the transfer of any such monies to the possession and control of CalHFA under the Program, and all matters relating to accounting, transfer and distribution of such Program Funds.

3.1.5 Determination of the following: (a) maximum SNHP Loan or COSR amount per Regulated Unit; (b) term of the COSR; (c) unit sizes and bedroom count permitted for Shared Housing occupancy; (d) lien priority of the Loan documents; (e) Loan interest rate, term and repayment requirements; and (f) maximum Regulated Unit rents.

3.1.6 All matters relating to Participant approvals and agreements regarding tenant selection and supportive services to be provided to Eligible Clients residing in Regulated Units, including supportive services plans, staffing ratios and budget appropriations, monitoring and implementation of services plans and tenant mental health outcomes reporting as required by Participant, the State Department of Health Care Services ("***DHCS***"), the County Behavioral Health Directors Association (CBHDA) or any other oversight committee or agency.

3.1.7 Executing a Memorandum of Understanding (or such other agreement), as Participant deems necessary, with the Borrower, property manager, primary service provider, and providing a copy of such agreement to CalHFA.

3.1.8 Reporting to CalHFA on matters listed in Section 8 of this Agreement.

3.2 CalHFA Responsibilities. CalHFA shall be responsible for each of the following general Program matters:

3.2.1 Development of such lending operations and protocols identified in Section 5.2 or as may be needed to implement the Program, including development of: (a) an Application; (b) specific Loan and COSR approvals; (c) the issuance of Loan commitments; (d) Loan and COSR documentation, including but not limited to escrow instructions, promissory note, deed of trust, regulatory agreement, and subordination agreements, as applicable.

3.2.2. Representation of Participant in negotiations with developers, borrowers, investors, other lenders, local governments, service providers and property management firms; issuing Loan and COSR commitments; closing Loans, and obtaining title insurance.

3.2.3 Underwriting the Development Proposal, including preparation of a Financial Analysis to determine the anticipated COSR needed to subsidize the COSR-Assisted Units for the term requested by Participant.

3.2.4 All matters related to the handling, investment and disbursement of Program Funds provided to CalHFA.

3.2.5 Reporting to Participant on matters listed in Section 7.

3.2.6 The Servicing responsibilities described in Section 6.2.

4. Financial Provisions

4.1 Participant shall obtain all consents, approvals or agreements necessary to transfer Program Funds to CalHFA for purposes of operating the Program. Transfers of such monies shall be made pursuant to a written assignment agreement (the "***Assignment Agreement***") submitted to and accepted by CalHFA.

4.2 Participant's assigned Program Funds shall be transferred to, and deposited with, CalHFA and held in the Participant's Account.

4.3 All monies transferred to CalHFA shall be considered expended for their intended purpose upon the date of receipt by CalHFA.

4.4 During the term of this Agreement, CalHFA shall have control of, and shall administer, all Program Funds on behalf of Participant. These funds shall be held by CalHFA for the exclusive purposes of the Program. Program Funds held by CalHFA shall be considered assets of CalHFA until such time as transferred to a Development or returned to Participant. CalHFA shall be responsible for the investment of all Program Funds. Interest earnings upon such investments shall be added to the Participant's Account for the purposes of the Program.

4.5 Participant shall pay CalHFA a program participation fee equal to five percent (5%) of the amount of Program Funds transferred from the Participant to CalHFA, (the "***Program Participation Fee***" or "***PPF***"). The PPF is due and payable upon receipt of Program Funds and shall be deducted from the Program Funds by CalHFA upon receipt, prior to deposit of the balance of the Program Funds into the Participant's Account. Notwithstanding the foregoing, Participant may transfer funds to CalHFA from the following sources subject to a reduced fee of three percent (3%) of the amount transferred: (a) any existing unencumbered funds from Participant's MHSA Housing Program account, until September 30, 2016; and (b) any COSR funds committed, or loan funds committed, to Participant's developments under the MHSA Housing Program that become disencumbered.

4.6 Developer or Borrower shall pay Project-Related Fees as listed in the Term Sheet, and as follows:

4.6.1 Participant Application Fee. Participant may, at its option, charge the Borrower a fee of up to one percent (1%) of the sum of all Program Funds provided to a Development (the "***Participant Application Fee***"). Such fee shall be due and payable to CalHFA at Loan closing and shall be paid from a source other than Program Funds. Upon receipt by CalHFA, this fee shall be deposited into

the Participant's Account and held by CalHFA for eligible Program purposes, unless otherwise directed by Participant.

4.6.2 SNHP Application Fee. A non-refundable fee payable to CalHFA in the amount listed in the Term Sheet (the "***Application Fee***"). Such fee shall be due and payable with the submittal of an Application. The Application Fee shall be credited towards the Underwriting Fee.

4.6.3 CalHFA Underwriting Fee. A non-refundable fee payable to CalHFA at Loan closing equal to one percent (1%) of the sum of all Program Funds provided to a Development (the "***Underwriting Fee***"), less the Application Fee.

4.6.4. Escrow/Closing Fees. CalHFA may charge reasonable escrow and loan closing or disbursement administration fees to Borrower through escrow.

4.6.5. Servicing Fee and COSR Servicing Fee. Borrower shall pay CalHFA an annual servicing fee (the "***Servicing Fee***") for so long as CalHFA is providing Servicing for a Development, and Borrower shall pay CalHFA an annual COSR servicing fee (the "***COSR Servicing Fee***") for so long as a COSR exists and CalHFA is providing Servicing. For a Development of five or more rental units the Servicing Fee shall be $7,500 and the COSR Servicing Fee shall be $5,000. For a Development of one to four rental units the Servicing Fee shall be $2,500 and the COSR Servicing Fee shall be $5,000. The Servicing Fee and COSR Servicing Fee may be increased, in CalHFA's sole discretion, as necessary to cover CalHFA's costs upon a refinancing, restructuring, or other event requiring changes to the Loan documents. The Servicing Fee and COSR Servicing Fee shall be described in the Regulatory Agreement, shall be approved Development operating expenses, and shall be paid in advance annually from Development income. Failure to pay the Servicing Fee or COSR Servicing Fee shall be considered an event of default under the Development loan documents.

4.7 Other Costs/Responsibilities

4.7.1 Participant shall be responsible for and shall pay the cost of any litigation, action or proceeding relating to (a) the consistency of the Program with the terms of the Act or other provision of applicable law; (b) the authority of Participant to implement the Program or the validity, legality, applicability or interpretation of any regulation or programmatic requirement of Participant with respect to the Program; (c) the allocation, reallocation, distribution, return or transfer of Program Funds by Participant in connection with the Program; (d) the legal challenge concerning the legality of any use or occupancy restriction associated with the Program or Regulated Units; and (e) any other matters related to the terms or requirements of the Act as it may affect the Program. Participant shall indemnify, defend and hold harmless CalHFA, its officers, agents and employees for any and all claims and costs with respect to the above.

4.7.2 Participant shall be responsible for and shall pay for costs associated with enforcement of Development Loan documents, and for services outside the scope of this Agreement, as

more fully described in Section 6.1.7. Such costs may be paid from Participant's Account upon Participant's approval.

4.7.3 CalHFA shall be responsible for and shall pay for costs related to actions due to CalHFA's gross negligence or willful misconduct in processing Program Loans or COSR.

4.7.4 If Program Funds in the Participant's Account are insufficient to make loans or otherwise pay any fees or costs payable therefrom, CalHFA shall have no obligation to contribute or advance any CalHFA funds to such accounts, nor shall CalHFA be required to take any action which would have been otherwise required if such funds were available.

5. <u>Relationship of the Parties in the Application and Development Process</u>

5.1 Participant shall be responsible for the following:

5.1.1 Completing a local review process to determine eligible Developments to receive Program Funds, including: (a) selecting the Developments to receive SNHP Funds, which assumes Participant acceptance of the development team (including the developer(s), property management firm and service provider if other than Participant); (b) approving the location of the Development; (c) identifying the number and size of Regulated Units (bedroom count), and any use or occupancy restrictions; (d) identifying the maximum rent; and (e) selecting the supportive services provider;

5.1.2 Seeking and obtaining all required Program Funds local approvals before executing and submitting the Application to CalHFA;

5.1.3 Preparing and submitting, jointly with the Borrower, an Application for CalHFA underwriting to include: (a) the maximum SNHP Loan being offered; (b) the number of Regulated Units and their maximum rent (not to exceed 30% of 30% AMI); (c) if applicable, the number of COSR Assisted Units, the maximum COSR funding available, and the maximum COSR subsidy term for the COSR-Assisted Units; and (d) any use or occupancy restrictions on the Regulated Units or unit sizes.

5.1.4 Developing and obtaining any required local approvals for each Development's supportive services plan, and annual budget and staffing required to ensure adequate supportive services are provided to the tenants in Regulated Units for the life of the Program Loan;

5.1.5 Developing a tenant selection plan for each Development, and ensuring compliance with all local, state and federal fair housing laws;

5.1.6 If desired, requiring Borrower to provide a purchase appraisal or real estate value analysis for CalHFA review, since the Program imposes no loan-to-value constraints;

5.1.7 Participating in CalHFA-required concept meetings for each Development, which shall include, as applicable, the developer(s), property manager, service provider(s), other lenders, and the investor (the "***Concept Meeting***"). The Concept Meeting provides an overview of the Development

Proposal, including the Eligible Client supportive service needs, the experience of the property manager and primary service provider, and proximity to other resident service needs.

5.1.8 Reviewing CalHFA's recommended Loan and COSR amounts for each Development, and providing written acceptance or alternative amounts.

5.1.9 Prior to occupancy of a Development and release of the first COSR draw (if applicable), Participant shall provide to CalHFA the approved supportive services plan.

5.1.10 Participant shall be responsible for coordinating with Borrowers and property managers to ensure adequate numbers of Eligible Clients are referred to Developments to fill vacancies in a timely manner.

5.1.11 To ensure the financial success of each Development, Participant shall ensure that the MOU for each Development identifies which party is responsible for working with Eligible Clients to assist them in getting qualified for SSI or assists Borrower in locating alternative subsidies to cover the Eligible Client's minimum required rent payment. Participant shall provide a copy of the MOU to CalHFA.

5.2 CalHFA Responsibilities

5.2.1 CalHFA will review complete Applications and recommend and approve Loans and COSR amounts.

5.2.2 CalHFA will coordinate with Applicants to schedule a Concept Meeting, which shall typically be held within 30 days of receipt of a complete Application.

5.2.3 CalHFA will underwrite each Development Proposal and recommend to Participant the maximum Loan and minimum COSR's needed to subsidize all or a portion of the Regulated Units for a minimum of 17 years. CalHFA will also advise the Participant of any supplemental regulatory provisions or income restrictions imposed by other lenders or CTCAC that would potentially affect the rents, or impose income restrictions on the Regulated Units.

5.2.4 Following receipt of Participant's approval of a final Loan amount and COSR for a Development, CalHFA will issue an approval that authorizes the encumbrance of Participant Funds for the Development.

5.2.5 Following CalHFA approval and the Development's receipt of a CTCAC allocation (if applicable), CalHFA will issue a Final Commitment Letter.

5.2.6 Following receipt of the required Loan closing checklist items, as posted on the CalHFA website, CalHFA will close the Loan, release any approved draws and fund the COSR from the Participant's Account. The COSR funds will be held by CalHFA in a Development-specific account along with any Development-specific reserve accounts funded by the Borrower and held by CalHFA.

5.2.7 CalHFA will monitor the rehabilitation and construction of each Development, as necessary. Borrower shall be responsible for costs of any reports and inspections, which shall be paid prior to Loan closing and held by CalHFA.

5.2.8 CalHFA will participate in the Permanent Loan Conversion and require Borrower to submit all appropriate documentation.

6. Relationship of the Parties After Completion of Loan Transaction

The Parties shall have the following responsibilities after the completion of the Loan transaction, which shall be deemed to be the latest of Loan closing, Development completion and stabilized occupancy, or Permanent Loan Conversion, as applicable.

6.1 Participant Responsibilities

6.1.1 Providing mental health supportive services to the tenants of the Regulated Units. Participant shall also ensure that each Development has an acceptable supportive services plan, and that any modifications to the supportive services plan are appropriate to meet the needs of Eligible Clients and the Development(s);

6.1.2 Approving any modifications or amendments to the supportive services plan and providing a copy to CalHFA;

6.1.3 Monitoring outcome reporting data collection and compilation, as it deems necessary in order to meet all local and state MHSA reporting requirements, as applicable, and providing such information to local and state entities, if required;

6.1.4 Providing financial and other information as requested by CalHFA with respect to the Program or Development(s);

6.1.5 Coordinating with Borrowers and Development property managers to ensure adequate numbers of Eligible Clients are referred to Developments to fill vacancies in a timely manner;

6.1.6 Coordinating with the MOU parties to monitor the Development to ensure the MOU requirements are met;

6.1.7 Additional services beyond those specified in Section 6.2, including without limitation: (a) specific enforcement; (b) judicial or non-judicial foreclosure; (c) receivership; (d) legal fees; (e) Loan document changes related to a default, or potential default, under the Loan documents; (f) title insurance claims; and (g) advancement of funds to pay insurance and taxes (or as otherwise necessary to preserve the security interest in the Development) shall be the responsibility of Participant, including all associated costs. CalHFA will advise Participant with respect to real estate lending issues related to the foregoing. Subject to a separate agreement between the Parties, CalHFA may agree to assist Participant with the foregoing. Such costs may be paid from Participant's Account upon Participant's approval;

6.1.8 Advising CalHFA of changes, or proposed changes, to: (a) Eligible Client populations; (b) the number of Regulated Units, and use or occupancy restrictions, (c) the number of COSR-Assisted Units, (d) the Regulated Unit rents, (e) the Loan documents, such as related to a default or potential default under the Loan documents; and (e) other changes to a Development.

6.2 CalHFA Responsibilities. CalHFA shall provide the asset management services described below ("***Servicing***") for Participant's SNHP Loans, subject to the Servicing Fee and COSR Servicing Fee described in Section 4.6.5. The Servicing shall include the following:

6.2.1 Review and approval of the following required Borrower submittals (which Borrower must also submit to Participant), including: (a) annual SNHP self-certification Development report(s); (b) evidence of property and liability insurance; (c) Regulated Unit rent rolls and proposed rent increases; (d) current local Housing Authority utility allowances by unit size; (e) proposed line item operating budget; (f) evidence of rental subsidies; (g) annual Development audits showing actual rents and operating costs for the prior year; and (h) COSR draw requests;

6.2.2 Hold, control and approve disbursements of Development reserve accounts and COSR, as applicable;

6.2.3 Determine appropriate investment vehicles for the Agency-held Program Funds and deposit interest earnings into the applicable Participant or Development account;

6.2.4 Perform periodic reviews regarding the adequacy, use, disbursements, and need for COSR on any given Development, and annually provide the results of such reviews to Participant. Subject to Participant consent, the COSR may be reduced or eliminated and the funds reallocated as directed by Participant;

6.2.5 Perform inspections and prepare physical inspection reports biennially or as deemed necessary by CalHFA, and provide copies to Participant if requested.

6.2.6 Provide concurrently to Participant and the Borrower any statutory notices of default under the Loan documents;

6.2.7 Accept SNHP Loan or other payments from a Borrower or Development and disburse such funds at least annually to Participant. If instructed by Participant in writing, CalHFA may transfer such payments or other income to Participant's Account, subject to the Program Participation Fee.

6.2.8 Failure to pay the Servicing Fee or COSR Servicing Fee shall be considered an event of default under the Development loan documents. If the Borrower fails to pay the Servicing Fee or COSR Servicing Fee, CalHFA may, at its option, (a) deduct the fees from any CalHFA-held Development reserve account, and withhold future COSR disbursements (if applicable) until payment is received, or (b) deduct the fee from the Participant's Account following Participant notification.

6.2.9 Subject to an additional fee to be paid by Borrower, as necessary to cover CalHFA's costs as determined by CalHFA, CalHFA may agree to provide certain other administrative services in connection with the SNHP Loan, such as processing requests for approval of Borrower organizational changes, transfers of the Development or other ownership changes, and substitution of property management firms.

6.2.10 Subject to a separate agreement between the Parties if deemed necessary by CalHFA, CalHFA may agree to assist Participant with the services described in Section 6.1.7, as well as transactions related to refinancing, restructuring, or other changes to the Loan documents, Development or Borrower. Costs for such services will not exceed the amount necessary to cover CalHFA's costs as determined by CalHFA and may be paid from Participant's Account upon Participant's approval.

7. CalHFA Reporting Requirements

7.1 CalHFA shall keep such books and records of the operation of the Program and the Developments, pursuant to common accounting principles, practices and state laws.

7.2 CalHFA shall prepare annual reports to Participant that include key results and funding for the costs associated with Participant Developments. CalHFA shall provide such reports to Participant no later than March 31st of each year.

7.3 Commencing in 2017 and each fiscal year thereafter, CalHFA shall provide to Participant an accounting of Program Funds to include: (a) the amount of funds held by CalHFA at the beginning of the reporting term; (b) the amount of new funds received from Participant; (c) the amount of funds received from Loan repayments or unused COSR deposits to the Participant's Account; (d) the amount of interest earned on Program Funds by date posted; (e) the amount in the Participant's Account at the end of the reporting term; and (e) a report on the total amount of committed and uncommitted Participant Funds by Development.

8. Participant Reporting Requirements

8.1 Participant shall report to CalHFA by May 1st of each calendar year the anticipated amount of new Program Funds that will be assigned to CalHFA after July 1st of the same calendar year for Program purposes during the fiscal year commencing July 1st. Transfers of Program Funds may be made periodically, subject to an Assignment Agreement submitted to and accepted by CalHFA.

8.2 Participant shall provide all reports and other information to such parties as may be required under the Act, or as requested by CalHFA from time to time.

9. Return of Program Funds

Participant may request the return of any unencumbered Program Funds remaining in Participant's Account by providing sixty (60) days' written notice to CalHFA.

10. Miscellaneous

10.1 No Third Party Beneficiaries. This Agreement is for the exclusive benefit of the parties hereto and no rights of third party beneficiaries are created herein. This Agreement shall not benefit or create any implied or expressed rights of any third person or entity, including but not limited to the California Department of Health Care Services, the Borrower, Development sponsor, Development owner, service provider, or any tenant or applicant for tenancy of a Development.

10.2 Entirety, Amendments, Construction. This Agreement supersedes any and all other agreements, oral or in writing, between the parties hereto with respect to the subject matter hereof and contains all of the covenants and agreements between the parties with respect thereto. Each Party to this Agreement acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made by any Party, or anyone acting on behalf of any Party, which are not embodied or referred to herein, and that no other agreement, statement, or promise not contained or referred to in this Agreement shall be valid or binding. No amendment or modification of the provisions of this Agreement shall be valid unless made in writing and signed by the parties hereto. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both of the parties had prepared it.

10.3 Survival. The terms, conditions, and warranties contained in the Agreement that by their sense and context are intended to survive the performance hereof by the parties hereunder shall so survive the termination of the Agreement, whether by completion of the performance, cancellation, or otherwise.

10.4 Potential Conflict of Interest. If, in addition to a Loan pursuant to this Agreement, CalHFA provides a separate loan secured by a Development, it may create a perceived or actual conflict of interest. Participant hereby waives any such conflict of interest and agrees to execute any additional document as deemed reasonable or necessary by CalHFA. By executing this Agreement, Participant and CalHFA agree that CalHFA is not assuming any obligations beyond those required under California law applicable to senior lenders, unless expressly set forth herein.

11. Termination

11.1 Either Party may terminate this Agreement with or without cause by providing sixty (60) days' written notice to the other Party. However, any Developments with approved/encumbered SNHP Program Funds shall continue to be processed by CalHFA. Upon termination of this Agreement: (a) CalHFA's authority to lend Participant Funds under the Program shall cease; (b) CalHFA shall retain responsibility for the Servicing for Developments for which it is providing such services, subject to Section 11.2; (c) all uncommitted/unencumbered Program Funds held by CalHFA shall be returned to Participant; and (d) all future funds received from a Development, including payments, interest earned, and other income, shall be returned to Participant or transferred in accordance with Participant's written instructions. Upon termination of this Agreement, Participant's responsibilities under Sections 3.1, 4.7.1, and 4.7.2 and any responsibilities with respect to existing Developments shall remain in full force and effect.

11.2 Termination of Servicing

11.2.1 Participant may terminate CalHFA as the Servicer for all, but not less than all, of Participant's Developments under the Program by providing CalHFA with one hundred eighty (180) days' written notice. Upon such termination, CalHFA shall assign and Participant shall assume all Loans in accordance with Section 12, and CalHFA shall transfer to Participant all files and records related to the Developments, after which CalHFA shall have no further responsibilities and obligations with respect to the Developments.

11.2.2 CalHFA may terminate Servicing for one or more of Participant's Developments under the Program by providing Participant with one hundred and eighty (180) days' written notice if: (a) Participant breaches any provision of this Agreement and such breach is not cured within sixty (60) days; (b) CalHFA no longer has adequate staff to provide such services; or (c) Borrower is in default under the SNHP Loan and such default has not been cured within one hundred and eighty (180) days. Upon such termination, CalHFA shall assign and Participant shall assume such Loan(s) in accordance with Section 12, and CalHFA shall transfer to Participant all files and records related to the Development(s), after which CalHFA shall have no further responsibilities and obligations with respect to the Developments.

12. Assignments of Program Loans

In addition to any other assignment provision hereunder, if with respect to a particular Development Participant does not meet its obligations under the Agreement, or otherwise breaches the terms of this Agreement, CalHFA may assign, and Participant agrees to assume, the Loan and all related Development loan documents and associated responsibilities and obligations (including the Servicing). Upon any assignment of a Loan under this Agreement, CalHFA's responsibilities and obligations with respect to such Loan and Development shall cease. The Parties agree to take such steps as necessary to effect such assignment.

13. Notice

Any notice, tender, or delivery to be given hereunder by either Party to the other may be effected by personal delivery, in writing, by facsimile transmission, by e-mail or by mail, postage prepaid, and shall be deemed communicated as of the date of actual receipt. Mailed notices shall be addressed as set forth below, but each Party may change its address by written notice in accordance with this paragraph.

Participant Contact Information

_____
_____
_____
_____

CalHFA Contact Information

Executive Director
California Housing Finance Agency
500 Capital Mall, Suite 1420
Sacramento, California 95814

With copy to:
General Counsel
California Housing Finance Agency
500 Capital Mall, Suite 1420
Sacramento, California 95814

WHEREFORE, the parties hereto have executed this Agreement as of the date set forth above, and by their signatures acknowledge their understanding of and agreement to all of its provisions.

Participant

By: __**DRAFT – DO NOT EXECUTE**__
Name: _____
Title: _____

Approved as to Form:

By: _____
Name: _____
Title: _____

CalHFA

CALIFORNIA HOUSING FINANCE AGENCY, a public instrumentality and political subdivision of the State of California

By: __**DRAFT – DO NOT EXECUTE**__
_____, Executive Director

Local Government Special Needs Housing Program

ASSIGNMENT AGREEMENT

_____ County

Pursuant to that certain Participation Agreement – Local Government Special Needs Housing Program (the "*Participation Agreement*") by and between _____ County ("*Local Government*") and the California Housing Finance Agency ("CalHFA"), dated _____, Local Government hereby agrees to assign and transfer to CalHFA _____ dollars and NO/100ths ($_____.00) to be used in accordance with and subject to the terms of the Participation Agreement. Local Government warrants that such funds are from Local Government's Mental Health Services Act ("MHSA") funds under its Community Services and Supports component of the MHSA Three-Year Program and Expenditure Plan, or from other Local Government funds, and Local Government has authority to transfer such funds to CalHFA for the purposes set forth in the Participation Agreement.

CalHFA agrees that it will hold the funds in a Local Government-specific sub-account, invest the funds in an appropriate investment vehicle as determined by CalHFA, and credit the Local Government's sub-account with interest received on the investment, all in accordance with the Participation Agreement.

Local Government acknowledges and agrees that CalHFA is not assuming any obligations, responsibilities, or liabilities beyond those set forth in the Participation Agreement by accepting such funds.

Date: _____

LOCAL GOVERNMENT

_____

Approved for County (by signature):

By: _____
Name: _____
Title: _____

CALIFORNIA HOUSING FINANCE AGENCY, a public instrumentality and political subdivision of the State of California

By: _____
Name: Tia Boatman Patterson
Title: Executive Director

MHSA HOUSING LOAN PROGRAM FUND RELEASE AUTHORIZATION

City/County: _____

The State Department of Health Care Services ("DHCS") and the California Housing Finance Agency ("CalHFA") jointly administer the Mental Health Service Act ("MHSA") Housing Loan Program ("Program") through an Inter-Agency Agreement that expires May 30, 2016. No further MHSA Loans or Capitalized Operating Subsidy Reserves ("COSR's") will be approved by CalHFA under the Program after this date. Pursuant to Welfare and Institutions (W&I) Code section 5892.5, City/County hereby request the release of Program unencumbered funds on deposit with CalHFA **as of May 31, 2016** ("Funds") as follows:

☐ **Release and transfer the percent of Funds reflected on Attachment B to the designated MHSA Project COSR's administered by CalHFA ; AND/OR**

☐ **Release and return $_____ or the balance of Funds to the City/County; AND/OR**

☐ **Release and assign the balance of Funds to the CalHFA's new Local Government Special Needs Housing Program ("SNHP") so we can continue to finance the development of permanent supportive housing and provide capitalized operating subsidies (if applicable) for Projects housing MHSA eligible residents.**

DRAFT

I, representing the City/County, hereby certify the following:

We will use any released Funds returned to the City/County to provide housing assistance to the target populations identified in Welfare and Institutions Code (W&I Code) section 5600.3. Housing assistance means rental assistance or capitalized operating subsidies; security deposits, utility deposits, or other move-in cost assistance; utility payments; moving cost assistance; and capital funding to build or rehabilitate housing for homeless, mentally ill persons or mentally ill persons who are at risk of being homeless; and we will administer released and returned MHSA Funds in compliance with the requirements of the MHSA including, but not limited to, the following:

- the City/County will follow the stakeholder process identified in W&I Code section 5848, when determining the use of the funds;
- the City/County will include the use of the funds in the County's Three-Year Program and Expenditure Plan or Annual Update, per W&I Code section 5847; and
- the City/County will account for the expenditure of those MHSA Funds in the City/County's Annual Revenue and Expenditure Report (W&I Code section 5899). Reporting will begin in the fiscal year when the MHSA Housing Program funds are returned to the City/County by CalHFA.

By:_____ Date: _____

Name: _____ Title: _____

Make check payable to (if applicable):
_____

Mailing Address:
_____
_____
_____

Attachment A: Evidence of City/County Board of Supervisors Approval
Attachment B: Summary of Projects and COSR deposits (if applicable)

State of California Use Only:

APPROVED BY: State DHCS

BY: _____

Title: _____

Date:_____

ACCEPTED BY: California Housing Finance Agency

BY: _____

Title: _____

Date:_____

MHSA HOUSING LOAN PROGRAM
May 31, 2016 - MHSA FUND RELEASE AND TRANSFER AUTHORIZATION

City/County: _____

ATTACHMENT B

Utilizing the unencumbered MHSA Funds available for release as of May 31, 2016, transfer the percent of MHSA funds indicated below, to the respective MHSA Project COSR's.

Project Name	Percent of Available MHSA Funds
1. _____	_____%
2. _____	_____%
3. _____	_____%

DRAFT

MHSA HOUSING LOAN PROGRAM
ONGOING ANNUAL MHSA FUND RELEASE AUTHORIZATION

City/County: _____

The State Department of Health Care Services (DHCS) and the California Housing Finance Agency (CalHFA) jointly administer the Mental Health Services Act ("MHSA") Housing Loan Program through an Inter-Agency Agreement that expires May 30, 2016. **Until otherwise directed by us,** and pursuant to Welfare and Institutions (W&I) Code section 5892.5, we hereby request the annual release of MHSA funds in our CalHFA MHSA account ("Account"). Said Account may include deposits of unencumbered MHSA Housing funds, MHSA residual receipt loan payments, and accrued interest ("Funds"). As of May 1st of each calendar year, please:

☐ **Release and return all Funds to the City/County; OR**

☐ **Release and assign all Funds to the CalHFA administered Local Government Special Needs Housing Program ("SNHP") so we can continue to finance the development of permanent supportive housing and provide capitalized operating subsidies (if applicable) for Projects housing MHSA eligible residents. We request that CalHFA advise us of the amount of Funds assigned to the SNHP annually.**

I, representing the City/County, hereby certify the following:

We will use any released MHSA Funds returned to the City/County to provide housing assistance to the target populations identified in Welfare and Institutions Code (W&I Code) section 5600.3. Housing assistance means rental assistance or capitalized operating subsidies; security deposits, utility deposits, or other move-in cost assistance; utility payments; moving cost assistance; and capital funding to build or rehabilitate housing for homeless, mentally ill persons or mentally ill persons who are at risk of being homeless; and

We will administer released and returned MHSA Funds in compliance with the requirements of the MHSA including, but not limited to, the following:

- the City/County will follow the stakeholder process identified in W&I Code section 5848, when determining the use of the funds;
- the City/County will include the use of the funds in the County's Three-Year Program and Expenditure Plan or Annual Update, per W&I Code section 5847; and
- the City/County will account for the expenditure of those MHSA Funds in the City/County's Annual Revenue and Expenditure Report (W&I Code section 5899). Reporting will begin in the fiscal year when the MHSA Housing Program funds are returned to the City/County by CalHFA.

By:_____ Date: _____

Name: _____ Title: _____

Make check payable to:
_____

Mailing Address:
_____
_____
_____

Attachment A: Evidence of City/County Board of Supervisors Approval

State of California Use Only:

APPROVED BY: State DHCS

BY: _____

Title: _____

Date:_____

ACCEPTED BY: California Housing Finance Agency

BY: _____

Title: _____

Date:_____

DRAFT

County of Los Angeles - Department of Mental Health
Assignment Amount to California Housing Finance Agency

ATTACHMENT IV

Fiscal Year	Amount	Total	Delegated Authority
FY 2007-08	$ 115,571,200		
FY 2012-13	2,423,491		
FY 2013-14	423,491		
FY 2014-15	5,423,491		
Total Transferred Year To Date (YTD)		$ 123,841,673	
FY 2015-16			
Amount To Be Transferred Upon Board Approval	1,173,491		
Total YTD Amount To Be Transferred as of FY 2015-16		$ 125,015,164	
FY 2016-17			
Planned Amount To Be Transferred	18,873,491		
Total YTD Amount To Be Transferred as of FY 2016-17		$ 143,888,655	
Calculation of 25% Delegated Authority Amount:		25%	
Total Amount of Delegated Authority			$ 35,972,164
Annual Amount To Be Transferred For TAY MHSA Eligible Residents:			
FY 2017-18	423,491	144,312,146	
FY 2018-19	423,491	144,735,637	
FY 2019-20	423,491	145,159,128	
FY 2020-21	423,491	145,582,619	
FY 2021-22	423,491	146,006,110	

FY 2022-23	423,491	146,429,601	
FY 2023-24	423,491	146,853,092	
FY 2024-25	423,491	147,276,583	
FY 2025-26	423,491	147,700,074	
FY 2026-27	423,491	148,123,565	
FY 2027-28	423,491	148,547,056	
FY 2028-29	423,491	148,970,547	
FY 2029-30	423,491	149,394,038	
FY 2030-31	423,491	149,817,529	
FY 2031-32	423,491	150,241,020	