

A United Voice for Affordable Housing



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Mental Health Services Act (MHSA) Housing Program

This past week the Tax Credit Allocation Committee (TCAC) held three hearings to begin the process of receiving comments on the recently released proposed regulations. The proposed regulations incorporate the Tax Credit Assistance Program (TCAP) and federal grants in lieu of housing credit allocations (Exchange Funds) resources expected to be awarded to California as a result of the American Recovery and Reinvestment Act of 2009. This past month, Senate Pro Tem Darrell Steinberg introduced SB 500 which is the placeholder legislation for the anticipated "Permanent Source" legislation which if enacted will fund on an ongoing basis a variety of State Housing and Community Development (HCD) housing programs.

In 2004, the California voters passed Proposition 63, the Mental Health Services Act (MHSA), to provide dedicated funding for the expansion of county mental health services and programs. The MHSA became effective in January 1, 2005 and is funded through an additional 1% tax on taxpayers' income above \$1 million. The fund is administered by the State Department of Mental Health (DMH).

The MHSA Housing Program was established by Executive Order by Governor Schwarzenegger on May 12, 2006 with the stated goal of creating 10,000 additional units of permanent supportive housing for the population of homeless individuals with chronic mental illness. The Program is administered in conjunction with local county mental health departments by DMH and the California Housing Finance Agency (CalHFA). DMH has made \$400 million available to fund the Program with up to one-third of this amount (about \$133.3 million) eligible for use for operating subsidies. This initial \$400 million represents approximately three and a half years of this ongoing funding source. For example, Los Angeles County has been allocated approximately \$116.6 million; San Diego County \$33.1 million; Santa Clara County \$19.2 million; and Sacramento County \$12.3 million. Again, these amounts are for the initial three and a half years of this Program and up to one-third of the funding can be used to capitalize an operating reserve that is sized to last for the initial 20 years of a project's operation.

While program implementation may slightly vary from county to county, basically the local county mental health departments qualify borrowers. The county mental health department applies for MHSA funding on behalf of a qualified borrower and submits an application to DMH and CalHFA. Qualified borrowers are defined as one of the following:

- (1) Developers with a track record of successful housing development and a history of serving the target population;
- (2) Developers with a track record of successful housing development but with no history of serving the target population, but with a contractual relationship with a qualified service provider (as previously determined by the county mental health department) and property manager; and
- (3) A qualified supportive services provider with a joint venture developer partner with a history of successful development who has a contractual relationship with a qualified property manager.

The developer will be evaluated for its ability to successfully develop and manage the real estate component of the project (Note: This is CalHFA's responsibility) and for their ability to partner with a service provider or lead service provider to deliver services to the target population (Note: This is DMH's responsibility).

The ultimate borrower needs to be one of the following:

- A Limited Partnership (The managing general partner must be a 501©-3 nonprofit corporation or a limited liability company [LLC] whose sole member or members are 501©-3 nonprofit corporations);

Upcoming Housing Events:



2009 Policy Forum and Hall of Fame Awards Luncheon

May 7, 2009

[Register Now](#)



First Place for Youth There's No Place Like Home

Fundraiser; April 24, SF

[Register Here](#)



Housing California: Annual Conference April 27-29; Sacramento

[Click here to register](#)

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www.calhsng.org

MHSA Housing Program (continued)

- A 501©-3 nonprofit corporation;
- A LLC whose sole member or members are 501©-3 nonprofit corporations;
- A county mental health department;
- A local housing authority or local redevelopment agency;
- An affiliate of the county mental health department created to hold properties financed with MHSA Housing Program funding; or
- An affiliate of a local housing authority created to hold properties.

The borrower must be organized as either a single asset entity (in the case of a LP or LLC) or as a separate legal entity that only holds properties funded by the MHSA Housing Program. A county may apply for up to one-third of the capital costs of a rental unit as part of a rental multifamily housing development (projects with five or more units) to a maximum of \$100,000 per restricted unit. In addition, operating subsidies are available for each of the restricted units up to \$100,000. As a consequence, a restricted unit can receive up to \$100,000 in capital cost funds per restricted unit to be used to construct the unit and an additional \$100,000 in the form of operating subsidies that are sized to last for 20 years. The capital cost funds are a loan whose term can be for 55 years in the case of a tax credit development.

While the Housing Program also provides funding for Shared Housing Developments (consisting of 2-4 unit buildings), the brief and condensed description above applies to rental multifamily housing developments. While an entire building/development can be dedicated to housing the target population, many tax credit rental multifamily housing developments make a portion (10-15%) of their units available to the target population.

The MHSA Housing Program can be used in conjunction with both tax credits and the housing programs offered by State HCD. The MHSA residents pay, when combined with the funds the project can draw down from the capitalized operating subsidy, the equivalent of rents affordable to households who earn 30% of adjusted median income (AMI). For more details on how this Housing Program can be used in your project, contact CalHFA or your local county mental health department.

CHC Member Project Profile: Mercy Housing's Vineyard Town Homes

The Vineyard Town Homes
325-425 S. Vine Street
Anaheim, Ca 92805

CHC Member [Mercy Housing](#) opened Vineyard Town Homes in January 2008, and the development was fully occupied within one month. The Vineyard Town Homes sits on a 2.3 acre site located on Vine Street between Broadway and Santa Ana Street in Anaheim, California. The Redevelopment Agency assembled multiple sites to create one parcel. The sites required environmental remediation (surface contaminants) and a 14 ft high soundwall for which Mercy Housing obtained funds from the U.S. Environmental Protection Agency Brownfield Program. The location is a formerly blighted infill site near downtown Anaheim in a redevelopment plan area. The site was specifically selected for redevelopment by the City in order to further infill and replacement housing goals as well as eliminate blight and substandard commercial/industrial sites that exist in close proximity to residential communities.



The 29 two-bedroom and 31 three-bedroom units feature a photovoltaic system (solar panels), energy efficient appliances, water infiltration system, no VOC interior paint; and flow restrictors on kitchen and bathroom faucets. Special care was paid to the architectural design in order to meet community design goals producing a low rise Craftsman-style complex with six buildings. The common space is approximately 7,200 SF, including the multi-purpose room, resident lounge, computer learning center, laundry facilities and on-site management office space. 60 garages & 45 outdoor parking spaces are provided for residents.

Mercy Housing and the City of Anaheim worked together to bring the development in under budget. Project costs totaled \$18,111,989, with affordability for all units at 30%-60% AMI. CHC Members who partnered on the project include California Tax Credit Allocation Committee, Federal Home Loan Bank, The John Stewart Company, and Wells Fargo Bank.

If your organization has a recently-completed development it would like to see featured on CHC's Member Project Showcase (a cross-referenced website feature at www.calhsng.org) please submit a project description and jpg photos to info@calhsng.org.