LOS ANGELES COUNTY
DEPARTMENT OF MENTAL HEALTH

MENTAL HEALTH SERVICES ACT HOUSING PROGRAM

EXPRESSION OF INTEREST
January 9, 2015

$6.5 MILLION AVAILABLE FOR CAPITAL DEVELOPMENT

FIRST PRIORITY WILL BE GIVEN TO PROJECTS LOCATED IN SERVICE AREAS 1,3,6,7, AND 8

AND

SECONDARY PRIORITY WILL BE GIVEN TO PROJECTS REQUESTING LESS THAN THE MAXIMUM COST PER UNIT FOR CAPITAL DEVELOPMENT

MENTAL HEALTH SERVICES ACT HOUSING PROGRAM

BACKGROUND

The Mental Health Services Act (MHSA) Housing Program, jointly launched by California Department of Mental Health[1] (State DMH) and the California Housing Finance Agency (CalHFA) in August 2007, provides funding to support capital development and capitalized operating subsidies for supportive housing for individuals with serious mental illness and their families who are homeless. In November 2007, Los Angeles County Department of Mental Health (LACDMH) released an Expression of Interest, inviting interested parties to submit a Letter of Interest in response to the announcement of the availability of funding for capital development and operating subsidies. On June 10, 2008, the Board of Supervisors authorized the Department to enter into an agreement with State DMH permitting the transfer of the Los Angeles County MHSA Housing Program allocation of $115 million to CalHFA for the administration of the funds. Additional information regarding the MHSA Housing Program is available on the following State Department of Health Care Services (State DHCS) and CalHFA websites, respectively:

Department of Health Care Services[2]
http://www.dhcs.ca.gov/services/MH/Pages/MHSAHousing.aspx

California Housing Finance Agency
http://www.calhfa.ca.gov/multifamily/mhsa/index.htm

Since the initial investment, of $115 million, additional funds have been allocated to the MHSA Housing Program over the years along with accumulated interest. To date, LACDMH has invested in 41 housing projects, 25 of which are open and occupied with the remaining housing projects in various stages of development. These 41 housing projects are geographically dispersed across the five Supervisorial Districts and the eight Service Areas (SA) and will result in approximately 898 units of permanent supportive housing for MHSA eligible clients.

NOTICE

Through the issuance of this Expression of Interest, LACDMH is seeking eligible developers/borrowers, as defined in the MHSA Housing Program guidelines, to develop permanent, affordable rental-housing units, including shared housing, with supportive services for individuals with a mental illness and/or their families; $6.5 million will be made available for the acquisition, new construction and rehabilitation of permanent supportive housing; and LACDMH seeks to fund approximately 60 to 65 additional units of permanent supportive housing.

First priority will be given to projects located in SAs 1, 3, 6, 7,and 8; these areas have the fewest MHSA Housing Program funded projects and/or have been recognized by the Los Angeles Homeless Services Authority as disproportionately under-resourced in regards to Continuum of Care funding as compared to other SAs in Los Angeles. See the charts below that indicate the distribution of current projects.

[1] After the dissolution of the State of California Department of Mental Health, the administration of the MHSA Housing Program was transferred to California Department of Health Care Services.

[2] Same as above

Investment of MHSA Housing Program Funds by Supervisorial District

Supervisorial Districts	Number of Projects	Local Funding Commitments	Percentage of Committed Funding	2013 Homeless Data
I	8	$ 12,678,228	11%	14%
2	12	$ 56,890,836	49%	31%
3	12	$ 31,917,445	27%	21%
4	5	$ 10,959,813	9%	14%
5	4	$ 4,800,521	4%	20%
Figure 1 Committed Funds as of January 5, 2015				

Investment of MHSA Housing Program Funds by Service Area

Service Area	Number of Projects	Local Funding Commitments	Percentage of Committed Funding	2013 Homeless Data
1	1	$ 2,143,371	2%	12%
2	9	$ 23,249,003	20%	14%
3	2	$ 2,000,000	2%	9%
4	11	$ 47,749,200	41%	18%
5	3	$ 4,523,442	4%	8%
6	8	$ 23,667,696	20%	19%
7	2	$ 2,954,318	3%	4%
8	5	$ 10,959,813	9%	16%
Figure 2 Committed Funds as of January 5, 2015				

Secondary priority will be given to projects with higher levels of leveraged funding that therefore request less than the 2015 per unit cost for capital. Developers/borrowers must meet eligibility criteria, as defined in the MHSA Housing Program guidelines to receive funding.

In response, LACDMH will accept Letters of Interest, as described more fully below, beginning on January 9, 2015 and continuing until the LACDMH determines that it has a sufficient number of Letters of Interest for proposed projects to exhaust the $6.5 million available. All Letters of Interest submitted on or before January 28, 2015 will be reviewed on February 5, 2015 by the MHSA Housing Advisory Board in order to make funding recommendations.

Each proposed project will be reviewed to determine whether the project meets the first and secondary priorities set forth in this Expression of Interest; proposed projects meeting the first and secondary priorities will be reviewed for consistency with the established funding principles as stated in Section I, II, or III. Projects that do not meet the two stated priorities will be considered only if funding remains after reviewing projects that meet the two state priorities. For more details regarding the MHSA Housing Program, guidelines, including the target population,

refer to the State DHCS website noted above. As specified in the program guidelines, developer/borrower will be required to comply with State DHCS data collecting and reporting requirements.

Note: If the developer/borrower intends to apply for California Tax Credit Allocation Committee (CTCAC) funding, CalHFA will not be able to provide the required final commitment document prior to March 2015. If the developer/borrower intends to apply for the 2015 second round of CTCAC, the required supportive services plan must be submitted by March 3, 2015 in order to meet required timelines.

It is anticipated that the LACDMH will receive a sufficient number of Letters of Interest for proposed housing projects by January 28, 2015 to obligate the entire $6.5 million available. However, if there are funds remaining, the Expression of Interest will remain open.

For purposes of this Expression of Interest, Letter(s) of Interest shall consist of the completion of the attached document (See Attachment I) in its entirety. Incomplete Letter(s) of Interest, as determined in the sole discretion of LACDMH, will be rejected. The Letter of Interest affords each developer/borrower an opportunity to provide a brief description of the proposed housing project, including but not limited to the following areas:

- Target Population
- Proposed Location of Project(s)
- Type of Housing & Number of Units
- Relevant Experience of Project Sponsor and/or Developer
- Roles & Responsibilities of Collaborative Partners
- Leveraging Sources
- Supportive Services Plan

LACDMH is seeking projects that are consistent with the following funding principles:

SECTION I: FUNDING PRINCIPLES FOR RENTAL UNITS:

1. Prioritize proposals that have the highest degree of readiness, which at a minimum would include site control and a financial plan for all pre-development and construction costs and permanent financing.

   Although the planning, zoning and other entitlements necessary to obtain a building permit, State and Federal environmental clearances as applicable, and Article XXXIV compliance will be considered, these due diligence issues will not disqualify the project for funding. However, these issues can be a determining factor when there are insufficient funds to accommodate the received requests for funding.

2. Prioritize projects that serve LACDMH MHSA eligible consumers with incomes that are lower than 30% of the Area Median Income.

3. Prioritize proposals with an existing funding commitment for operating subsidies. Secondary consideration will be given to proposals that have formally submitted requests for operating subsidies and are pending approval.

4. Prioritize proposals with local funding commitments—e.g., from the Homeless Prevention Initiative, from any of the 88 cities in Los Angeles County, and/or from local foundations,

business organizations, and other local sources willing to offer funding for supportive housing particularly those projects that demonstrate operating subsidies as a funding commitment.

5. Prioritize projects that propose to serve DMH MHSA eligible consumers who are chronically homeless over projects who propose to serve the same target population who are homeless or at-risk of homelessness.

6. Prioritize projects that are geographically dispersed by funding projects located in diverse areas throughout the County.

7. Prioritize the option of increasing the current funding cap per unit for capital development and operating subsidies for projects in areas of the County with limited supportive housing.

8. Prioritize projects that do not contribute to a net loss of affordable housing units through the displacement of moderate or low-income residents.

9. Prioritize projects that have a correctly formatted draft service plan consistent with program guidelines.

SECTION III: FUNDING PRINCIPLES FOR SHARED HOUSING:

1. Prioritize projects that serve DMH MHSA eligible consumers with incomes that are lower than 30% of the Area Median Income.

2. Prioritize proposals with an existing funding commitment for operating subsidies. Secondary consideration will be given to proposals that have formally submitted requests for operating subsidies and are pending approval.

3. Prioritize proposals with local funding commitments—e.g. through the NSP from any of the 88 cities in Los Angeles County, the former Community Redevelopment Agencies, and/or from local foundations, business organizations, and other local sources willing to offer funding for supportive housing particularly those projects that demonstrate operating subsidies as a funding commitment.

4. Prioritize projects that propose to serve DMH MHSA eligible consumers who are chronically homeless over projects that propose to serve the same target population who are homeless or at-risk of homelessness.

5. Prioritize projects that are geographically dispersed by funding projects located in diverse areas throughout the County.

6. Prioritize projects that do not contribute to a net loss of affordable housing units through the displacement of moderate or low-income residents.

7. Prioritize projects with developers that have experience in developing supportive housing and a service provider with a track record of operating shared housing.

8. Prioritize projects that have a correctly formatted draft service plan consistent with program guidelines and formatted accordingly including tenant selection and intake plans, preliminary list of house rules, and home-sharing lease agreements at the time of the submission of the Letter of Interest.

9. Prioritize projects that are within ½ mile of supportive services, public transportation, full service grocery stores, recreation, and other public amenities.

10. Prioritize projects that include architectural amenities such as air conditioning and/or ventilation and individualized locked storage especially in the kitchen areas.

SUBMISSION PROCESS

For each proposed project, interested parties are to provide an original Letter of Interest. Please note there are separate Letter of Interest forms for the shared housing and rental unit components of the MHSA Housing Program. In addition to a cover letter, Letters of Interest shall not exceed 14 pages including the attached four (4) page Letter of Interest document and 10 additional pages if necessary, with one (1) inch margins and using font of Arial 12. Letters of Interest should be submitted to:

Reina Turner, Division Chief
Los Angeles County Department of Mental Health
Housing Policy and Development
695 South Vermont Avenue, 10th Fl
Los Angeles, California 90005

DMH will post this notice, with instructions and details of the submission process, on its website, www.dmh.lacounty.gov on January 9, 2015. Any amendments to this notice will be posted on the website as indicated above. Questions regarding this notice or any future amendments should be directed to Reina Turner at (213) 251-6558 or at rturner@dmh.lacounty.gov.

This notice is not a competitive solicitation offered by the County of Los Angeles or LACDMH. Acceptance of a Letter of Interest by LACDMH is not a guarantee that LACDMH will support a particular application for State DHCS funding. LACDMH is not liable for costs incurred in the preparation of responses to this request. It reserves the right to issue supplementary information or guidelines related to this request. In accordance with the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, it is the policy of LACDMH to assure equal opportunity to all persons in the award and performance of any contract, without regard to race, color, sex, religion, national origin, ancestry, age, marital status, or disability.

APPLICATION PROCESS

The MHSA Housing Advisory Board (Advisory Board) will review Letters of Interest in accordance with the priorities indicated. Typically, Letters of Interest received by the last Wednesday of each month will be reviewed by the Advisory Board during its next regularly scheduled meeting, which is typically held the first Thursday of each month. If the Advisory Board is unable to review all of the Letters of Interest due to the number received, those letters that could not be reviewed will be reviewed at the next scheduled meeting. The Advisory Board will determine whether the Letters of Interest are consistent with the criteria set forth in this or future public notifications.

For this Expression of Interest, all Letters of Interest submitted by January 28, 2015 will be reviewed on February 5, 2015. It is anticipated that the Department will receive a sufficient number of proposals during this period to obligate the entire $6.5 million available. However, if there are funds remaining, the Expression of Interest will remain open.

LACDMH will notify the project sponsor of the results of the review of their project. If the proposed project fails to meet minimum criteria and/or funding priorities, the project sponsor may resubmit the Letter of Interest correcting any such deficiencies. If the proposed project is recommended for funding, LACDMH will invite the project sponsor to further develop the housing project concept in collaboration with LACDMH.

Once the project concept has been fully developed, LACDMH will post a summary of the proposal along with the supportive services plan on its website, www.dmh.lacounty.gov, for a thirty-day public comment period. LACDMH will review and summarize public comments, including the actions taken to address any issues raised. This will be submitted to State DHCS along with the full application and/or the components of the application. The project sponsor will be asked to submit selected sections of the application to LACDMH for review and will be notified of the results. If the project does not meet threshold requirements, LACDMH will not be liable for any costs incurred in the preparation of initial or any subsequent submittals.

For Rental Housing Developments, LACDMH will invite the project sponsor to submit the full universal application. Included in the application is a form signed by the Director of Mental Health acknowledging support of the project and a commitment to ensure that individuals housed in units funded through the MHSA Housing Program will: 1) be clients of DMH; 2) meet the eligibility requirements of the targeted population; and 3) offered mental health services. This will be submitted to CalHFA and State DHCS for review and approval.

Shared Housing Developments have the option of submitting a full application that includes the Shared Housing Universal Application and all attachments, or alternately they may submit their application in two stages, at two different times. The first stage shall consist of Section C (development partners), Section D (Service Plan and related materials) and documentation that the public comment period was completed along with a request for the loan and when applicable, a request for an operating subsidy. If approved, CalHFA will issue a conditional commitment letter for funding in advance of the site selection. This approval can include multiple sites.

The second stage of the process (for shared housing projects only) shall consist of Section A (the Shared Housing Application), Section B (supplemental property information) and a letter from LACDMH approving the site or sites. This information will be submitted to CalHFA and State DHCS once the property is selected, and subject to a purchase and sales agreement. Upon receipt and approval of the last two sections, CalHFA will underwrite the loan and subsidy request when applicable.