



COMMUNITY DEVELOPMENT COMMISSION
Of the County of Los Angeles
**NOFA MENTAL HEALTH HOUSING PROGRAM:
ALTERNATIVE HOUSING MODELS
TERM SHEET**

As a result of October 3, 2017 and January 16, 2018 Board Motions, in Fiscal Year 2017-18 Los Angeles County Department of Mental Health (DMH) allocated \$50 million of Mental Health Services Act (MHSA) funding for the development of permanent affordable housing for individuals and families that are homeless and have a serious mental illness. This funding was administered County-wide through the bi-annual Notice of Funding Availability (NOFA) issued by the Community Development Commission of the County of Los Angeles (Commission). The funding was used strategically to leverage tax credits to develop permanent supportive housing. Because of a strong interest by DMH stakeholders to fund non-tax credit innovative housing models, MHSA funding was allocated for this specific purpose, with the goal of developing housing units at a faster pace and with lower development costs, compared to traditional affordable housing projects that use Low-Income Housing Tax Credit financing.

On March 26, 2019, the Commission, in coordination with DMH, will release a Notice of Funding Availability (NOFA) to develop permanent, affordable rental housing units with supportive services for individuals and their families, if applicable, who are homeless and have a serious mental illness. Approximately \$11.5 million in MHSA funding will be made available for the acquisition, new construction, and/or rehabilitation of permanent supportive housing that does not use Low-Income Housing Tax Credit financing. Applications will be due on **May 7, 2019**.

Note that projects that are awarded funding under this NOFA will not be eligible to receive funding from the No Place Like Home Program.

This Term Sheet is issued to highlight general program goals and requirements. Full requirements and regulations will be included in the published NOFA. The requirements for this NOFA were based on DMH Funding Principles and Priorities under Addendum A that were developed through a DMH stakeholder process.

Eligible Projects

- Multifamily Rental Housing and Shared Housing Developments are eligible.
- Projects must provide permanent housing to individuals and their families, if applicable, who are homeless and have a serious mental illness in accordance with California Welfare & Institutions Code Section 5600.3(a) and/or California Welfare & Institutions Code Section 5600.3(b). Developments may not discriminate against or exclude individuals who have barriers to housing, including a history of poor credit, limited housing history, evictions, substance use, and/or criminal background.

- Projects must serve individuals with incomes that are no greater than 30% of the Area Median Income (AMI) and tenants must pay no more than 30% of their income toward the rent.
- Small-scale and large-scale projects may be proposed. There is no minimum or maximum requirement for the number of units per project, but the projects must demonstrate financial feasibility.
- Projects must not include tax credit financing.

Project Requirements

- Must be new construction, acquisition, or acquisition with rehabilitation.
- Must be entirely located in Los Angeles County.
- Must not have commenced construction.
- Individuals who will reside in units funded through this NOFA must be (a) a resident of Los Angeles County; (b) homeless (c) an individual with a diagnosis of a serious mental illness at the time of application; and (d) referred and verified by DMH as eligible for such supportive housing.

Eligible Applicants

- Eligible applicants include nonprofit and for-profit organizations, limited liability companies, limited partnerships, public agencies, other local jurisdictions, and joint ventures among any of these entities. Individuals are not eligible to submit applications.
- Applicants must demonstrate financial capacity and have completed at least one (1) affordable rental housing project. The project must be in operation for at least two (2) years.

Subsidy Limits

- For multifamily rental housing development, the subsidy limit per unit is \$100,000.
- For shared housing developments, the subsidy limit is \$100,000 per bedroom.

Additional Threshold Requirements

- Projects must demonstrate financial feasibility and positive cash flow for at least 20 years.
- Qualified Developers/Borrowers must either have site control at the time of the application or gain site control within 90 days after notice of funding award unless otherwise approved by the Commission.



- Projects must request no more than \$100,000 per unit/bedroom, as applicable, for capital development.
- Projects may not displace low-income households unless the new development replaces each unit occupied by a low-income household on a 2:1 replacement basis.
- Projects must be completed and occupied within 24 months of execution of a loan agreement.
- Projects must provide a Property Management Plan describing the services that will be provided to project residents.
- Projects must have a financial plan for the provision of appropriate supportive services. Identification that services will be funded by DMH is acceptable.

Financing Terms

- Non-recourse, 3% simple annual residual receipts loan, with a 20-year term.

Technical Scoring

Applications that pass the Threshold Review will be scored according to the General Application Items presented in Table 1. Applications must score a minimum of 60 points out of the available 100 points in the General Application Items to be considered for a funding award. Once a project meets or exceeds the minimum General Application score of 60 points, bonus points can be added to the application score.

Table 1 - EVALUATION CRITERIA	Maximum Points
GENERAL APPLICATION ITEMS	
Development Team Experience	20
a. 1-2 projects in service more than 2 years – 10 points	
b. 3-4 projects in service for more than 2 years – 15 points	
c. 5 or more projects in service more than 2 years – 20 points	



Financing	40
a. Committed permanent public and private funds – 10 points	
b. Committed operating/rental subsidy for MHSA units allowing the occupant to pay no more than 30% of their income – 10 points	
c. Subsidy request is less than \$100,000 per MHSA unit/bedroom – 10 points	
d. Project will develop more than 10 MHSA units of permanent housing – 10 points	
Project Readiness	40
a. Project has CEQA/NEPA clearances – 10 points	
b. Project has a proposed occupancy date of 1 year or less from award date – 15 points	
c. If funded, project will have all required funding and will be able to immediately begin construction/rehabilitation – 15 points	
Total Score	100
BONUS ITEMS	15
a. Non-profit developers whose mission is public benefit – 5 points	
b. Proximity - ½ mile - to community amenities and public services (i.e. transit, grocery stores, health services, employment & educational services) – 5 points	
c. Project is located in Service Planning Areas (SPAs) with limited Permanent Supportive Housing: SPAs 1, 3, 5, 7, and 8 – 5 points	
TOTAL APPLICATION POINTS	115
Threshold Criteria	Pass/Fail

The Community Development Commission reserves the right in its sole discretion to modify any terms in this Term Sheet. If there is any conflict between this Term Sheet and the published NOFA, the published NOFA shall govern.



Addendum A

DMH Funding Principles and Priorities

The following funding principles and priorities are included in the threshold and evaluation criteria and are listed to provide a concise overview of the goals of the NOFA.

1. Developments that provide the maximum benefit for the invested MHSA dollars (e.g. that produce or develop the maximum number of units for the MHSA dollars invested).
2. Developments that do not contribute to a net loss of affordable housing units through the displacement of moderate or low-income residents.
3. Developments that offer onsite supportive services.
4. Developments that further geographical diversity of permanent supportive housing for the Target Population throughout the County.
5. Developments with an existing funding commitment for operating/rental subsidies that make the units affordable for the occupant.
6. Developments that are feasible considering planning, zoning and other requirements necessary to obtain a building permit, State and Federal environmental clearances as applicable, etc.
7. Developments that will be built the soonest based on the proposed occupancy date.
8. Non-profit developers whose mission is public benefit.
9. Developments proposed by developers who can show successful prior experience in developing similar types of housing as demonstrated by owning and/or operating housing that has served a similar population and that has remained in good standing by, for example, meeting housing quality standards and has not received citations by health and safety and other oversight bodies.
10. Developments that are near public services such as, but not limited to, transit and health services.