

CalHFA Multifamily Programs

Mental Health Service Act (MHSA) Housing Loan Program Update

May 14, 2015

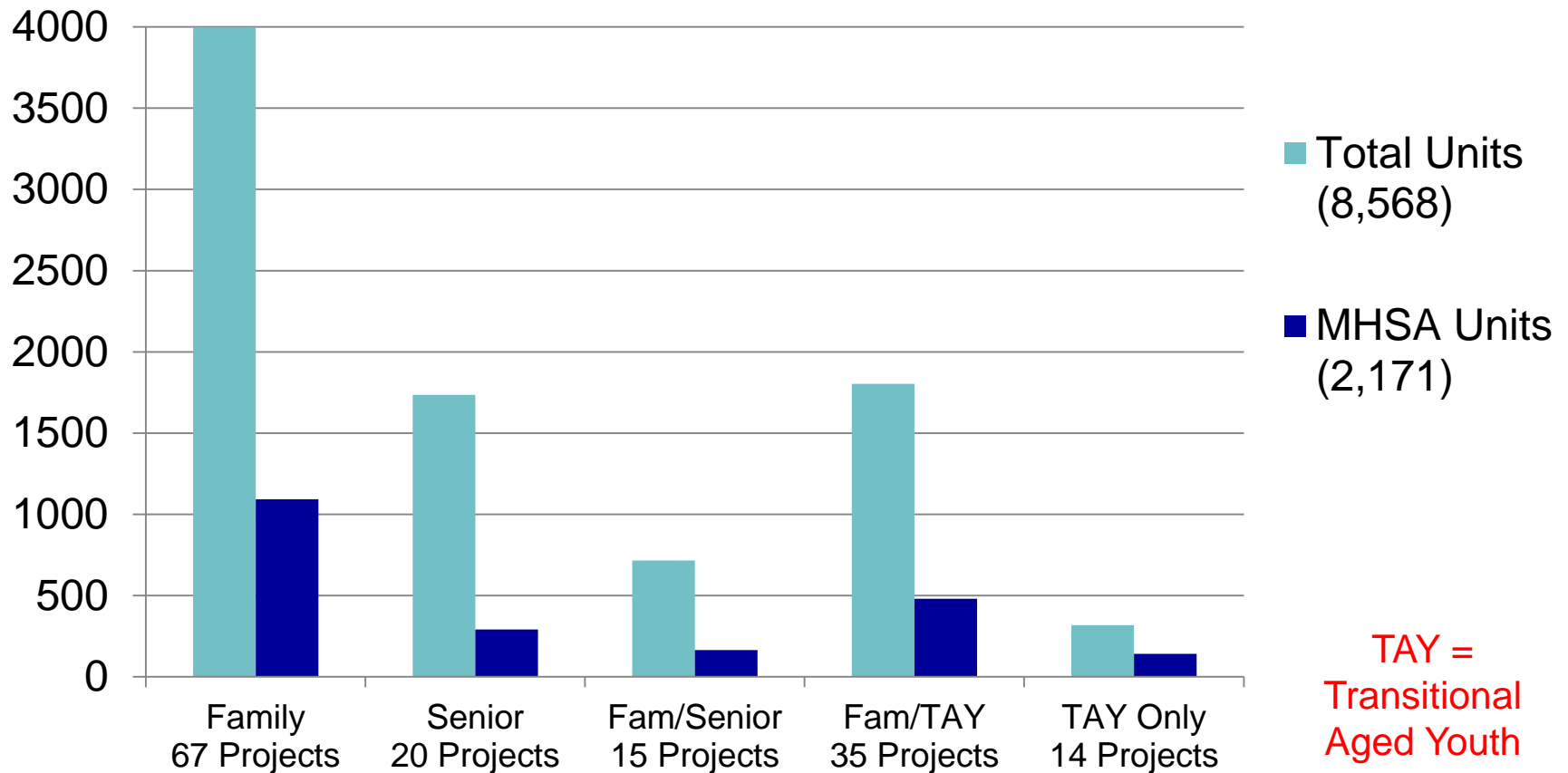
Background

- ❖ MHSA Housing Loan Program was established in 2006 utilizing \$400 Million of Mental Health Service Act (Proposition 63) funds
- ❖ Initial program goal was to create 10,000 new affordable rental housing opportunities that would include units for the homeless mentally ill
- ❖ 2/3 of the funds were set aside for Permanent Loans. Up to 1/3 of the funds could be used to capitalize operating subsidy reserves (“COSR”)
- ❖ Counties commit to provide intense supportive services for the mentally-ill residents for the life of the MHSA Loan (up to 55 years)
- ❖ In 2008, the Department of Mental Health and CalHFA signed an Inter-Agency Agreement for CalHFA to administer the MHSA Housing Loan Program through May 30, 2016

Closed Loan Demographics

As of February 1, 2015 CalHFA closed MHSA loans on 151 projects creating a total of 8,568 units, with 2,171 reserved for MHSA eligible residents and their families. \$351 million of MHSA funds were allocated in 49 Counties, leveraged approx. \$2.9 billion in total development costs.

Units



Lessons Learned

- ❖ CalHFA hoped to leverage the administration of the MHSA Housing Loan Program into significant lending activity, but the collapse of the bond market made it infeasible for CalHFA to offer competitive rates
 - ❖ The loss of projected loan fee revenue generated from CalHFA financing resulted in CalHFA operating the MHSA loan program at a loss
 - ❖ Department of Health Care Services assumed the role of DMH in 2012
 - ❖ Counties were given the option to reclaim their unused MHSA housing funds. To date only 3 counties have requested their funds be returned totaling \$1.68 million
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Winding Down the MHSA Loan Program

CalHFA anticipates that by the expiration of the Inter-Agency Agreement on May 30, 2016, the MHSA Loan Program will have exceeded the original housing development goals. Counties must be notified of the Program's termination, and the MHSA application deadlines so they can plan accordingly. Any unencumbered MHSA funds remaining on deposit at CalHFA after May 30, 2016 would be returned to the counties.

MHSA Application Deadline for CalHFA held MHSA funds:

- 2016 1st Round 9% tax credit Projects by December 1, 2015
- All other Projects or 2016 tax credit proposals by March 1, 2016*

Deadline to encumber MHSA funds and close MHSA Loans:

- CalHFA loan approval deadline (funds encumbered) by May 26, 2016
- MHSA loan close deadline by April 15, 2017*

*These deadlines permits Borrowers to apply for 2nd round 2016 tax credit allocations and meet construction close deadlines if projects are awarded tax credits.

Potential Special Needs Loan Program

- CalHFA has the current infrastructure, capacity and expertise to operate a special needs loan program in conjunction with counties
 - CalHFA could partner with counties to administer their MHSA funds and help them further their special needs permanent housing goals
 - Stakeholder meetings are needed to solicit levels of interest in a potential CalHFA administered Special Needs Loan Program
 - DHCS can consider what role they might be able to play following receipt of county input and review of the final program terms
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Proposed Fees

Proposed fees discussed to date with DHCS and some of the larger counties* who have indicated potential interest, are as follows:

COUNTY PAID FEES

5% Fund Administration Fee (The current MHSA Program Admin Fee is 1%)

DEVELOPMENT FEES

- **1% Origination Fee:** based on the MHSA Loan and COSR (The current fees are 1% of only the MHSA Loan amount)
- **0.42% Annual Servicing Fee:** based on the original MHSA Loan amount plus COSR funds (Current annual fees are 0.42% of only the original MHSA Loan amount).

* San Francisco, Los Angeles, Orange, Riverside, San Bernardino, & San Diego

Staffing Assumptions

Multifamily underwriting staff assume that participating counties would likely assign a minimum of \$10-15 million to CalHFA to administer annually.

\$10,000,000

Annual Participation Level

Multifamily 4 FTE's

\$15,000,000

Annual Participation Level

Multifamily 4-6 FTE's

- ❖ 5% Fund Admin Fee - \$500,000
- ❖ 1% Origination Fee - \$100,000

- ❖ 5% Fund Admin Fee - \$750,000
- ❖ 1% Origination Fee - \$150,000

The existing 0.42% Loan Servicing fee more than adequately covers the costs for Asset Management and support staff in other Divisions to service MHSA Loans and COSRs.