

 CalHFA™ California Housing Finance Agency

January 19, 2012

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GLENN CO. MENTAL HEALTH

Mr. Scott Gruendl, Director
Glenn County Health Services Agency
242 N. Villa Avenue
Willows, CA 95988

Re: Request to Transfer MHSA Funds

Dear Mr. Gruendl:

CalHFA is in receipt of your letter dated December 16, 2011, regarding your request to refund Glenn County's MHSA Housing Allocation. While CalHFA is sensitive to the financing and other concerns you raised in your letter, CalHFA unfortunately does not have the authority to transfer to a county funds that were transferred by DMH to CalHFA for purposes of the MHSA Housing Program. The following background may be helpful for you to understand the position CalHFA currently finds itself.

As you know, under Proposition 63, DMH is the agency responsible for the administration and oversight of the Mental Health Services Act. CalHFA's role and responsibilities regarding the MHSA Housing Program are solely pursuant to an Interagency Agreement between CalHFA and DMH. Aside from this Interagency Agreement, CalHFA has no statutory authority or responsibilities with respect to the MHSA Housing Program.

Under the Interagency Agreement, DMH transfers to CalHFA funds that were assigned to DMH by the counties. Although we do not have a copy of any agreements you have with DMH, our understanding is that each county has an MHSA Performance Contract with DMH that includes an assignment of the county's funds to DMH. It seems that this agreement would address the use and control of the funds that Glenn County assigned to DMH. Once CalHFA receives these funds from DMH, they are placed in a separate sub-account for each county. Under the Interagency Agreement, once transferred these funds are considered expended for their intended purpose. The Interagency Agreement provides no mechanism, nor any authority for CalHFA to transfer funds directly to a county.

CalHFA recognizes that AB 100 made changes in DMH's responsibilities under the Mental Health Services Act. However, CalHFA's understanding is that the ultimate roles and responsibilities of the remaining or new MHSA players, such as the Mental Health Services Oversight and Accountability Commission (MHSOAC), the counties, and the successor to DMH, if any, have not been determined. Thus, CalHFA remains bound by

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successor to DMH, if any, have not been determined. Thus, CalHFA remains bound by the terms of the Interagency Agreement with DMH, which does not allow CalHFA to transfer funds, previously assigned by a county to DMH, back to the county. We are hopeful that the ultimate roles and responsibilities of the MHSA players going forward are resolved soon. Until such time, your request to transfer funds should be addressed to DMH.

With respect to your proposed project in Orland, CalHFA has yet to receive an MHSA housing application. Despite this, my staff informs me that CalHFA has been providing technical assistance to the County's team to meet the terms of the Program and the needs of the County. We have been exploring exceptions to the term sheet to meet the County needs for the development envisioned, including the possibility of funding your proposed project as a shared housing development with MHSA Housing Program funds providing 100% of the financing. CalHFA has proceeded with project feasibility and underwriting prior to the receipt of a formal application submission. We have reviewed the appraisal and after inspecting the property it is has been determined that the property with rehabilitation will be a viable development for our target population. We are prepared to minimize the number of reports required in the application. In addition, we are prepared to provide for a mechanism of ownership that meets the terms of the program and is palatable to the County.

I have instructed my staff to work diligently to try to resolve the outstanding issues with your project so that it both satisfies the critical requirements under the MHSA Housing Program and works within the County's constraints. We would be pleased to continue the MHSA Housing Program partnership with the County.

If you would like to discuss any of these issues in further detail, feel free to contact Bob Deaner at 916-326-8801.

Sincerely,



Claudia Cappio
Executive Director, California Housing Finance Agency

cc: Cliff Allenby, California Department of Mental Health
Larry Poaster, Chair, Mental Health Services Oversight and Accountability
Commission
Steve Soeth, Chari, Board of Supervisors, County of Glenn
Patricia Ryan, California Mental Health Directors Association
Victor James, CalHFA Deputy General Counsel
Bob Deaner, CalHFA Director of Multifamily Housing