

**AMENDED AND RESTATED GRANT AGREEMENT BETWEEN THE COUNTY OF
ORANGE AND
THE ORANGE COUNTY HOUSING FINANCE TRUST**

This Amended and Restated Grant Agreement (the “**Agreement**”) entered into as of _____, 2023 is made by and between the County of Orange, a political subdivision of the State of California (the “**County**”) and the Orange County Housing Finance Trust, a California joint powers public entity formed pursuant to California Government Code section 6500 *et. seq.* (the “**Trust**” or “**Grantee**”), with the County and Trust sometimes referred to as “Party,” or collectively as “Parties.”

WHEREAS, the Trust was created pursuant to California Government Code section 6539.5 for the purpose of: (1) funding the planning and construction of housing of all types and tenures for the homeless population and persons and families of extremely low, very low, and low income, as defined in Section 50093 of the Health and Safety Code, including, but not limited to, permanent supportive housing; and (2) receiving public and private financing and funds; and

WHEREAS, the County became a member of the Trust on March 12, 2019; and

WHEREAS, On June 25, 2019, the Board of Supervisors appropriated \$5 million as part of the approved 2019-2020 Fiscal Year Budget; and

WHEREAS, on December 17, 2019, the Board of Supervisors amended the Mental Health Services Act (“**MHSA**”) Spending Plan for allocation of \$20.5 million to the Trust; and

WHEREAS, on June 28, 2022, the Board of Supervisors approved the Fiscal Year 2022-23 annual update to the Orange County’s MHSA Three-Year Program and Expenditure Plan that included \$40 million for supportive housing; and

WHEREAS, the County desires to allocate \$10 million of MHSA funds allocated to it on June 28, 2022, for supportive housing to the Trust; and

WHEREAS, in seeking to receive public funds, the Trust will continue to apply for grants under the state Local Housing Trust Fund Matching Grant Program (“**Program**”) established pursuant California Health & Safety Code section 50842 *et. seq.*; and

WHEREAS, the Trust has also been seeking additional funding opportunities to expand the funding available for affordable and supportive housing; and

WHEREAS, the County supports and is willing to fund the Trust’s efforts in continuing to secure Program grant funding and additional grant funding as it may become available for the development of affordable and permanent supportive housing in Orange County; and

WHEREAS, both Parties agree that an amended and restated agreement would best serve the interests of the Parties.

NOW, THEREFORE, the Parties mutually agree as follows:

1. COUNTY GRANTS. The County hereby grants the Trust the following Grant amounts (collectively, “**Grant Funds**”):
 - a. \$5 million dollars from the County’s General Fund (“**General Fund Grant**”); and
 - b. \$20.5 million dollars from the County’s Mental Health Services Act Fund (“**MHSA Fund Grant 1**”); and
 - c. \$10 million dollars from the County’s Mental Health Services Act Fund (“**MHSA Fund Grant 2**”).

2. DISBURSEMENT OF COUNTY GENERAL FUND GRANT. The County shall transfer the grant amount set forth in Section 1.a., above, to the Trust as follows:
 - a. No later than June 30, 2020: \$1 million dollars; and
 - b. On July 15, 2021, and annually thereafter, on July 15, until such time the total General Fund Grant amount is exhausted: \$1 million dollars.

3. DISBURSEMENT OF COUNTY MHSA FUND GRANT 1. The County shall transfer the grant amount set forth in Section 1.b., above, to the Trust as follows:
 - a. No later than June 30, 2020: \$4.5 million dollars; and
 - b. On July 15, 2021, and annually thereafter, on July 15, with last transfer on July 15, 2025: \$4 million dollars.

4. DISBURSEMENT OF COUNTY MHSA FUND GRANT 2. The County shall transfer the grant amount set forth in Section 1.c., above, in whole or increments, to the Trust as follows:
 1. Upon approval by the Orange County Board of Supervisors and no later than July 31, 2027: upon request by the Trust.

5. COUNTY CONCURRENCE. The Trust shall coordinate with Orange County Health Care Agency (HCA) and OC Community Resources (OCCR) for administration of the MHSA Fund Grant monies for supportive housing, including review of requests/applications for funding and services. The Trust shall submit recommended projects utilizing General Fund Grant monies and/or MHSA Fund Grant monies to the County Board of Supervisors for concurrence prior to committing and disbursing such funds for a project. It is understood and agreed to by the Parties that any reference to MHSA Fund Grant monies or amounts includes the use of any funds from the MHSA Fund Grant and MHSA Fund Grant 2 (collectively, the “**MHSA Grants**”).

6. TERM OF GRANT AGREEMENT. The term of this Agreement begins on the date when fully executed by the parties, and terminates as follows:

- a. For General Fund Grant and MHSA Fund Grant 1 on July 31, 2025, or when all of the Parties' obligations under this Agreement are fully satisfied, whichever occurs earlier.
 - b. For MHSA Fund Grant 2: on July 31, 2028, or when all of the Parties' obligations under this Agreement are fully satisfied, whichever occurs earlier.
7. **TERMINATION.** In addition to any other remedies or rights it may have by law, County has the right to immediately terminate this Agreement without penalty for cause or after 30 days' written notice without cause, unless otherwise specified. Cause shall be defined as any material breach of contract, any misrepresentation or fraud on the part of the Grantee. Exercise by County of its right to terminate the Agreement shall relieve County of all further obligation. The Grantee shall return all unexpended and/or unencumbered Grant Funds remaining of the Grant amounts within 180 days of the date of termination of this Agreement under Paragraph 2 or within 30 days of date of termination under this Paragraph 7. Paragraphs 8, 9, 14, and 19 shall survive the termination of this Agreement.
8. **ELIGIBLE USES.**
- a. **GENERAL FUND GRANT.** The Grantee shall utilize the General Fund Grant amounts toward financing capital development loans for affordable and/or permanent supportive housing. The Grantee may not use the Grant amounts to pay for overhead or administration of the Trust.
 - b. **MHSA FUND GRANTS:** The Grantee shall utilize the MHSA Fund Grant monies toward financing capital development loans for permanent supportive housing, as specified under **Exhibit A**. The County, through OC Community Resources, shall provide an annual update to Exhibit A, as necessary, to reflect changes in the law, policy, or current lending practices. The Grantee may use up to 5 percent of the total MHSA Fund Grant 2 amount transferred to pay for overhead or administration of the Trust.
9. **GRANT INCOME.** Grantee shall utilize any Program Income derived from both the General Fund Grant, MHSA Fund Grants in the same manner as outlined in Section 8.a. or 8.b., respectively. For purposes of this paragraph, "Program Income" means gross income that is directly generated from Grant Funds and may include, but is not limited to: any interest accrued on the original grant amounts on deposit with the Trust, any recapture of Grant Funds, or payments of principal and interest on loans made using Grant Funds to the Trust.
10. **PERMITS, LICENSES, APPROVALS, AND LEGAL OBLIGATIONS.** The Grantee shall be responsible for requiring all Grant Funds subrecipients to obtain any and all permits, licenses, and approvals required for performing any work pursuant to the use of these funds, including those necessary to perform. The Grantee shall be responsible for observing and complying with any applicable federal, state, and local laws, rules or regulations affecting the source of

both the Grant Funds. The Grantee shall provide copies of permits and approvals to the County upon request.

11. **SUBMISSION OF REPORTS –MHSA Fund Grants.** The submittal and approval of all reports is a requirement for the successful completion of this Agreement. Reports shall meet generally accepted professional standards for technical reporting and shall be proofread for content, numerical accuracy, spelling, and grammar prior to submittal to the County. All reports shall be submitted to the OC Community Resources. If requested, the Grantee shall promptly provide any additional information deemed necessary by the County for the approval of reports. Reports shall be presented in the formats described in the applicable portion of **Exhibit B** and shall separately identify the Grantee’s use of MHSA Grant Funds.

1) **Progress Reports:** The Grantee shall submit progress reports on an annual basis no later than July 31 of each year. The progress reports shall be sent to Orange County Community Resources. The progress reports shall provide a brief description of the work performed during the reporting period including: the Grantee’s activities, milestones achieved, any accomplishments, and any problems encountered in the performance of the work under this Agreement and contain all of the information required under 25 CCR § 7160.

2) **Grant Completion Report:** The Grantee shall prepare and submit to the County a grant projects completion report (“**Grant Completion Report**”) upon the earlier of (a) ninety (90) calendar days of the termination of this Agreement or (b) the exhaustion of the Grant amounts. The Grant Completion Report shall include, in part, a description of actual work done, any changes or amendments to the project, and a final schedule showing actual progress versus planned progress, copies of any final documents or reports generated or utilized during a project. The Grant Completion Report shall include all of the information required under 25 CCR § 7160, and a summary spreadsheet listing Eligible Projects assisted during the reporting period by unit, including the project name, type of housing, number of units, income levels restricted in each unit, bedroom count of each unit, and amount of MHSA Grant Funds expended per unit.

12. **SUBMISSION OF REPORTS –General Fund Grant.** The submittal and approval of all reports is a requirement for the successful completion of this Agreement. Reports shall meet generally accepted professional standards for technical reporting and shall be proofread for content, numerical accuracy, spelling, and grammar prior to submittal to the County. All reports shall be submitted to the County’s OC Community Resources. If requested, the Grantee shall promptly provide any additional information deemed necessary by the County for the approval of reports. Reports shall be presented in the formats described in the applicable portion of **Exhibit B** and shall separately identify the Grantee’s use of General Fund Grant funds.

1) **Progress Reports:** The Grantee shall submit progress reports on an annual basis no later than July 31 of each year. The progress reports shall be sent to OC Community

Resources. The progress reports shall provide a brief description of the work performed during the reporting period including: the Grantee's activities, milestones achieved, any accomplishments, and any problems encountered in the performance of the work under this Agreement and contain all of the information required under 25 CCR § 7160.

2) Grant Completion Report: The Grantee shall prepare and submit to the County a grant projects completion report ("Grant Completion Report") upon the earlier of (a) ninety (90) calendar days of the termination of this Agreement or (b) the exhaustion of the Grant amounts. The Grant Completion Report shall include, in part, a description of actual work done, any changes or amendments to the project, and a final schedule showing actual progress versus planned progress, copies of any final documents or reports generated or utilized during a project. The Grant Completion Report shall include all of the information required under 25 CCR § 7160, and a summary spreadsheet listing Eligible Projects assisted during the reporting period by unit, including the project name, type of housing, number of units, income levels restricted in each unit, bedroom count of each unit, and amount of General Fund Grant funds expended per unit.

13. GRANT RECORDS. The Grantee is required to maintain all financial records associated with the projects funded by both Grants in accordance with **Exhibit C** Audit Document Requirements. These records shall be stored in Orange County for a period of three (3) years after the termination of this Agreement.

14. AUDITS. At any time during Grantee's business hours and upon reasonable notice by the County, the Grantee shall allow County staff or contractors to evaluate, audit, inspect and monitor its facilities, program operations, and records maintained in connection with this Agreement. The inspection methods that may be used include:

- 1) On-site visits
- 2) Interviews of Grantee's staff and program participants
- 3) Review, examination or audit of case files/records, receipts, client/user complaints, monthly/quarterly reports, and fiscal records including employee timesheets.
- 4) Inspection of Grantee's internal monitoring and evaluation system

With respect to inspection of Grantee's records, the County may require that Grantee provide supporting documentation to substantiate Grantee expenses with respect to the Grantee's use or expenditure of the Grant amounts.

15. INDEPENDENT CONTRACTOR. The Grantee shall be considered an independent contractor and neither the Grantee, its employees, nor anyone working under the Grantee shall be considered an agent or an employee of County. Neither the Grantee, its employees nor anyone working under the Grantee shall qualify for workers' compensation or other fringe benefits of any kind through County.

16. CONTINGENCY OF GRANT FUNDS: Trust acknowledges that funding or portions of funding for this Agreement may be contingent upon state budget approval; receipt of funds

from, and/or obligation of funds by, the state of California to County; and inclusion of sufficient funding for the services hereunder in the budget approved by County's Board of Supervisors for each fiscal year covered by this Agreement. If such approval, funding or appropriations are not forthcoming, or are otherwise limited, County may immediately terminate or modify this Agreement without penalty.

17. BREACH OF CONTRACT:

- a. Breach by the Trust. The failure of the Trust to comply with any of the provisions, covenants or conditions of this Agreement shall be a material breach of this Agreement. In such event the County may, and in addition to any other remedies specified in this Agreement:
- i. Afford the Grantee written notice of the breach and ten (10) calendar days or such shorter time that may be specified in this Agreement within which to cure the breach;
 - ii. Discontinue payment of MHSA Fund Grant 1 to the Grantee for and during the period in which the Grantee is in breach;
 - iii. Refund of applicable MHSA Fund Grant funds to the Grantor during the period in which the Grantee is in breach; and
 - iv. Offset against any monies billed by the Grantee but yet unpaid by the County those monies disallowed pursuant to the above.
- b. Breach by the County. The failure of the County to comply with any of the provisions, covenants or conditions of this Agreement shall be a material breach of this Agreement. In such event the Trust may, and in addition to any other remedies specified in this Agreement:
- i. Afford the County written notice of the breach and ten (10) calendar days or such shorter time that may be specified in this Agreement within which to cure the breach.

Parties agree that failure of the Board of Supervisors to approve, fund or appropriate as provided in Section 17 herein shall not constitute a breach of contract under this Agreement.

18. REMEDIES NOT EXCLUSIVE: The remedies for breach set forth in this Agreement are cumulative as to one another and as to any other provided by law, rather than exclusive; and the expression of certain remedies in this Agreement does not preclude resort by either party to any other remedies provided by law.

19. INDEMNITY. The Grantee agrees to indemnify, defend with counsel approved in writing by County, and hold County, its elected and appointed officials, officers, employees, agents and

those special districts and agencies which County's Board of Supervisors acts as the governing Board harmless from any claims, demands or liability of any kind or nature, including but not limited to personal injury or property damage, arising from or related to the Grantee's receipt of the Grant amounts or performance under this Agreement.

20. CONFLICT OF INTEREST – TRUST PERSONNEL. The Grantee shall exercise reasonable care and diligence to prevent any actions or conditions that could result in a conflict with the best interests of the County. This obligation shall apply to the Grantee; the Grantee's employees, agents, and subcontractors associated with accomplishing work and services hereunder. The Grantee's efforts shall include, but not be limited to establishing precautions to prevent its employees, agents, and subcontractors from providing or offering gifts, entertainment, payments, loans or other considerations which could be deemed to influence or appear to influence County staff or elected officers from acting in the best interests of the County.
21. CONFLICT OF INTEREST – COUNTY PERSONNEL. The County of Orange Board of Supervisors policy prohibits its employees from engaging in activities involving a conflict of interest. The Grantee shall not, during the period of this Agreement, employ any County employee for any purpose.
22. NOTICES. Any and all notices, requests demands and other communications contemplated, called for, permitted, or required to be given hereunder shall be in writing with a copy provided to the parties' contacts identified under this Paragraph 21. Any written communications shall be deemed to have been duly given upon actual in-person delivery, if delivery is by direct hand, or upon delivery on the actual day of receipt or no greater than four (4) calendar days after being mailed by US certified or registered mail, return receipt requested, postage prepaid, whichever occurs first. The date of mailing shall count as the first day. All communications shall be addressed to the appropriate party at the address stated herein or such other address as the parties hereto may designate by written notice from time to time in the manner aforesaid.

Trust:

Orange County Housing Finance Trust
 1 League #62335
 Irvine, CA 92602
 Attn: Adam B. Eliason

County:

OC Community Resources
 Housing & Community Development
 1501 E. St. Andrew Place, 1st Floor
 Santa Ana, CA 92705
 Attn: Director

23. ATTORNEY FEES. In any action or proceeding to enforce or interpret any provision of this Agreement, each party shall bear their own attorney's fees, costs and expenses.
24. ENTIRE CONTRACT: This Agreement contains the entire contract between the parties with respect to the matters herein, and there are no restrictions, promises, warranties or undertakings other than those set forth herein or referred to herein. No exceptions, alternatives, substitutes or revisions are valid or binding on County unless authorized by County in writing. Electronic acceptance of any additional terms, conditions or supplemental Agreements by any County employee or agent, including but not limited to installers of software, shall not be valid or binding on County unless accepted in writing by County Executive Officer.
25. AMENDMENTS. No alteration or variation of the terms of this Agreement shall be valid unless made in writing and signed by the parties; no oral understanding or agreement not incorporated herein shall be binding on either of the parties; and no exceptions, alternatives, substitutes or revisions are valid or binding on County unless authorized by County in writing.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year dated below.

--Signature Pages Follow--

COUNTY OF ORANGE
A political subdivision of the State of California

By: _____

APPROVED AS FORM:

By: Jacqueline Guzman
Deputy County Counsel

Digitally signed by Jacqueline Guzman
DN: cn=Jacqueline Guzman, o=County of Orange,
ou=Office of the County Counsel,
email=jacqueline.guzman@coco.ocgov.com, c=US
Date: 2023.03.17 09:25:31 -07'00'

ORANGE COUNTY HOUSING FINANCE TRUST

a California joint powers public entity formed pursuant to California Government Code section 6500 *et. seq.*

By: Adam B. Eliason
Adam B. Eliason (Mar 16, 2023 14:17 PDT)
Adam Eliason Mar 16, 2023
Housing Trust Manager

APPROVED AS FORM:

By: Lauren Kramer
Lauren Kramer (Mar 16, 2023 14:19 PDT)
Trust Counsel Mar 16, 2023

EXHIBIT A**MHSA FUND GRANT PROJECT REQUIREMENTS****1. General Loan Program Requirements**

- a. Trust will coordinate with OC Community Resources (OCCR) and OC Health Care Agency (HCA) to review the Trust Notice of Funding Availability for any updates to MHSA funding regulations or procedures prior to its consideration/approval by the Trust Board and release to the public.
- b. Trust will: (a) select the development(s) to receive loans from the Funds in accordance with Article 8, herein; (b) approve the location of the development(s); (c) determine the maximum amount of loan to be offered from the Funds for the development(s); (d) identify the number and size of Regulated Units (bedroom count) and their maximum rent (not to exceed 30% of 30% AMI); (e) if applicable, the number of COSR Assisted Units, the maximum COSR funding available, and the maximum COSR subsidy term for the COSR-Assisted Units; (f) determine any use or occupancy restrictions on the Regulated Units or unit sizes; (g) ensure that the development's proposed marketing and tenant selection plan is in compliance with all local, state and federal fair housing laws and coordinate with HCA, the Orange County Housing Authority and/or Coordinated Entry System, as applicable; and (h) determine lien priority of the loan documents which shall be based upon the value contributed by the soft lenders, except that the Trust's loan and regulatory agreement shall always be subordinate to the County's.
- c. Trust will underwrite each development proposal and recommend the maximum loan and, as applicable, minimum COSR's needed to subsidize all or a portion of the Regulated Units for a minimum. This will include preparation of a financial analysis to determine the anticipated COSR needed to subsidize the COSR-Assisted Units for the term requested by the Trust.
- d. As part of the application threshold review process, the Trust will coordinate with OCCR and the HCA after receipt of a complete loan application to provide an overview of the development proposal, including the eligible client supportive service needs and commitment, the experience of the property manager and primary service provider, and proximity to other resident service needs.
- e. Trust will draft the Regulatory Agreement specific to the housing project, which shall: (a) identify the number, size (number of bedrooms), and use or occupancy restrictions of the regulated units; (b) specify the maximum rents for the regulated units; and (c) be recorded senior to the Trust loan deed of trust.
- f. Trust may use the funds during the construction or permanent phase of the development and require borrower to submit all appropriate documentation to fund in during the appropriate phase
- g. Trust will provide the asset management services by reviewing and approving the following required borrower submittals:

- (a) evidence of property and liability insurance;
 - (b) Regulated Unit rent rolls and proposed rent increases;
 - (c) current local Housing Authority utility allowances by unit size;
 - (d) evidence of rental subsidies;
 - (e) annual development audits showing actual rents and operating costs for the prior year; and
 - (f) COSR draw requests (if applicable).
- h. Trust will hold, control and approve disbursements of development reserve accounts and COSR, as applicable.
 - i. Trust will perform periodic reviews regarding the adequacy, use, disbursements, and need for COSR on any given development, and annually provide the results of such reviews to the County.
 - j. Trust will perform inspections and/or monitor developments and prepare physical inspection reports biennially or more frequently as deemed necessary by the County. Inspections more frequent than on a biennial basis shall require written notice, as provided for in this Agreement.
 - k. Trust shall provide concurrently to County and the borrower of these funds any statutory notices of default under the loan documents.
 - l. Trust shall keep such books and records of the operation of the loans and the development(s), pursuant to common accounting principles, practices and state laws.
 - m. Trust shall not commingle the MHSA Grant Funds. Trust shall deposit accrued interest and principal payments on a loan funded with the MHSA Grant Funds in a separate fund and use such interest and payments consistent with Section 8 of this Agreement (“Grant Income”). A separate fund shall be created for the deposit of accrued interest and principal payments from a loan funded with MHSA Grant Fund 2 monies.

2. General Loan Terms and Conditions

The following additional requirements shall apply to all of the MHSA funded units and shall be included in the Trust’s loan agreement:

- a. **Eligible applicants** include non-profit and for-profit organizations, joint ventures, or partnerships that serve the identified purpose of the NOFA.
- b. **Eligible Projects** are those which provide a minimum of five (5) new permanent rental housing units with supportive services for extremely low-income individuals with a serious mental illness experiencing homelessness; these projects may result from new construction, acquisition or acquisition and rehabilitation of existing buildings. Conversion of commercial and light industrial use buildings to residential use may be eligible on a case-by-case basis as determined by OCCR. Eligible projects may include occupancy restrictions, including preference or other restrictions, such as units for seniors, veterans, and/or transitional aged youth.
- c. **Population.** The population to be served shall include extremely low income (30% of Area Median Income for Orange County), homeless individuals who has a serious

- mental disorder as defined in WIC 5600.3, verified by a State Licensed Mental Healthcare Professional and has been deemed to meet the MHSA Housing Program eligibility (MHSA Certified) by Health Care Agency MHSA Housing Program staff.
- d. **Rent Restrictions.** Restricted rents for the MHSA funded units shall not exceed 30% of the HUD-published 30% Area Median Income (AMI) levels for Orange County, adjusted for designated household size (less a utility allowance unless included in the rent) with the tenants rent portion not to be more than 30% of their Social Security Income/Social Security Pension (SSI/SSP) or not more than 30% of their total gross household income (if additional income beyond SSI/SSP is received). If federally funded Project Based Vouchers are provided, the developer shall comply with the federal regulations for maximum rent and tenant rent portions. If federally funded Project Based Vouchers are terminated or not extended beyond their initial term, restricted rents for MHSA funded units shall not exceed 50% of the of the HUD-published 50% Area Median Income (AMI) levels for Orange County.
 - e. **Coordinated Entry System.** Unless Coordinated Entry System is unavailable or cannot provide the screening for eligible residents, the Developer shall utilize the local coordinated entry system to screen for eligible residents currently experiencing homelessness and with a documented serious mental disorder (**MHSA Certified** by HCA).
 - f. **Housing Unit General Requirements.** Housing units and building features must meet the needs of the MHSA tenants to be served at the development, including privacy, housing activities and community interaction. There shall be no requirement for non-related, single, adult tenants to share bedrooms. There shall be adequate number of bedrooms to accommodate the housing composition. Units are encouraged to have at least one-bedroom and be at least 450 square feet.
 - g. **Housing Unit Living Requirements.** Housing units must have an identifiable and private living area, sleeping area, full kitchen area and a full bathroom. The kitchen area shall at a minimum include a sink, full size refrigerator, cupboard space, counter area, microwave or oven, and a two burner stove or built-in cook top. Units are encouraged to have some in-unit storage space for tenants.
 - h. **Furnishings.** All units should be furnished with standard furnishings applicable to the unit type.
 - i. **Technology.** Developers are encouraged to provide units that are pre-wired for high technology and internet access.
 - j. **Common Space.** The building must include common space, such as a community room that can accommodate a variety of activities and where tenants can choose to interact with one another. On-site bicycle parking should be considered, if feasible.
 - k. **Office Space.** The building must include a designated office space to provide on-site services to MHSA tenants, including a meeting room/area.
 - l. **Efficiency Requirements.** The design and operation of the Project shall incorporate features designed to increase efficiency and reduce ongoing expenses. The Project shall incorporate appropriate and feasible green design practices, such as the use of ENERGY STAR rated energy-efficient appliances and water-conserving fixtures and

products. The Project must also utilize durable materials chosen to reduce future maintenance costs and renewable building supplies.

- m. **Environmental Information.** Tenants shall be provided with information to assist them to participate in environmentally friendly practices such as energy and water conservation, recycling and use of non-toxic household products.

3. Required Operating, Replacement and Subsidy Reserves

All developments using MHSA funds must provide for the following reserves:

- a. Capitalized operating expense reserve. At a minimum, capitalized operating expense reserve shall equal 25% of the first year's approved operating and reserve budget.
- b. Capitalized replacement reserve. For rehabilitation projects, capitalized replacement reserve shall be based on a physical needs assessment and/or one or more Building Inspection Reports and a Replacement Reserve Needs Analysis. New construction projects shall have a capitalized replacement reserve of at least \$500 per unit/annually for all units in a project, increasing by 5% every five years.
- c. Capitalized operating subsidy reserve. Capitalized operating subsidy reserve ("COSR") shall be required for projects without rental assistance vouchers (or other rental subsidies) to subsidize operating costs for the MSHA Regulated Units. COSR's must be funded to allow for operating cost subsidies for a minimum of 17 full years unless waived by HCD. The recommended maximum COSR limit is \$193,991 per assisted unit and shall be updated as appropriate and with approval by OCCR and HCA. The actual COSR amount is subject to the project-specific underwriting.
- d. Tenant Rent & Utility Reserve. Tenant rent and utility reserve (the "Reserve") may be required by the Trust to be funded by the Developer by Certificate of Occupancy for the development. This Reserve is used to assist MHSA eligible clients with rent and utility payments while waiting to get approved for SSI/SSP and/or rental assistance. The Reserve should provide 2 to 3 years rental income for the MHSA-assisted units (assuming rents that include utilities at 30% of SSI/SSP). This Reserve is held by Borrower as a revolving fund and is intended to be replenished over time from tenant rent back payments once the tenants qualify for SSI/SSP.

Developer/Borrower is required to continually seek future commitments of rental or operating subsidies for the MHSA Regulated Units (e.g., project-based Section 8) for the life of the MHSA Loan.

4. Application and Loan Commitment Notes

Any Trust Notice of Funding Availability (NOFA) or similar process shall incorporate the following items:

Upon review of the borrower application and a decision to loan MHSA funds, with concurrence by the County, the following will be determined by the Trust and set forth in a commitment letter: 1) the per regulated unit loan amount; 2) the percent of MHSA regulated units as it relates to the entire Project; 3) the size of the regulated units to best meet MHSA client needs (bedroom

count); 4) any permissible occupancy preferences (adults; seniors; transition age youth); 5) the maximum COSR (if applicable) to carry the project through the first 17 years of operations; 6) whether Developer must fund a tenant rent reserve (for COSR assisted Projects only); 8) any permissible developer fees for non-tax credit transactions; and 9) permissible overlaying occupancy, rent or income restrictions from other financing or tax credit sources.

Supportive services provisions and a Social Services Plan and operating budget from the primary or lead service provider(s) shall be provided. A commitment letter for supportive services provisions from HCA will be accepted at time of application submittal. Upon a loan award and pre-commitment of MHSA funding by the Trust to the borrower, HCA will provide a Social Services Plan and operating budget for the Project.

Eligible Projects are those which provide a minimum of five (5) new permanent rental housing units with supportive services for extremely low-income individuals who are living with a serious mental illness and experiencing homelessness. These projects may result from new construction, acquisition or acquisition and rehabilitation of existing buildings. Conversion of commercial and light industrial use buildings to residential use may be eligible on a case-by-case basis as determined by the Trust.

All units assisted with MHSA funding shall include supportive services provided by the HCA as the lead service provider, or an HCA-contracted service provider. A supportive services plan means specific supportive services plan for a project, developed by HCA MHSA Housing Program in partnership with the developer, supportive service provider(s), and the property manager. Primary supportive services shall be provided on site to meet the specific needs of the population to be served.

All MHSA funded loans shall have a minimum term of 20 years and require annual residual receipt payments in accordance with the promissory note and a recorded Regulatory Agreement with a term of no less than 55 years.

All MHSA tenants must be MHSA Certified by HCA MHSA Housing Program staff as outlined in the MHSA Housing Program Certification and Referral Process. It is important to note that in no event shall a person be required to be a client of the Orange County Behavioral Health department or a recipient of mental health or other services in order to qualify for or remain in an Assisted Unit.

All MHSA funded projects where the provision of mental health services is to be provided by the Orange County Health Care Agency/Mental Health & Recovery Services must be approved by the Trust Board with concurrence by the County Board of Supervisors.

EXHIBIT B

GRANT REPORT FORMATS AND REQUIREMENTS

The following reporting formats should be utilized. Please obtain County approval prior to submitting a report in an alternative format.

PROGRESS REPORTS

Progress reports shall generally use the following format. This format may be modified as necessary to effectively communicate information. The report shall contain the following:

- (a) A description of program expenses and the use the Grant funds.
- (b) A narrative summary of Trust activities including:
 - (1) Work undertaken or completed in the reporting period, including the number, type and size unit count of projects receiving the proceeds of Trust Funds.
 - (2) Activities planned to be undertaken in the next reporting period.
 - (3) Description of problems encountered in Trust program implementation; and a description of the solution and when it will be implemented.
 - (4) Description of how problems may impact the ability to complete or fulfill obligations under any applications or agreements for the receipt for Local Housing Trust Fund matching fund programs.
 - (5) Photo documentation, as appropriate.
- (c) Financial summary including:
 - (1) Amount of Trust funds (by Eligible Project and by activity type) available at the beginning of the reporting period, the amount drawn down to date, amount expended on Eligible Projects restricted to Extremely Low-Income households, amount expended on Eligible Projects restricted to Moderate-Income households, and the remaining balance.
 - (2) Documentation of matching funds received from the State, including the amount by source, expended on each Eligible Project during the reporting period.
 - (3) If requested by the County, the Trust shall obtain a report from a qualified, licensed third party that certifies to the amounts of disbursement and identifies the specific Eligible Projects for which the disbursements were made.
 - (4) "Eligible Project" shall have the same meaning as "Eligible Project" as defined in 25 CCR § 7151, subdivision (e), and any subsequent guidelines issued by the Department of Housing and Community Development regarding the Local Housing Trust Fund programs.

ADDITIONAL REPORTING REQUIREMENTS FOR MHSA GRANT: To the extent not included above, the Trust shall include the following information as it relates to the MHSA Grant:

(a) the costs associated with the loans and development(s), (b) the amount of funds held by Trust at the beginning of the reporting term; (c) the amount of funds received from loan repayments or unused COSR deposits to the MHSA fund maintained by the Trust; (d) the amount of interest earned on the funds in the MHSA fund maintained by the Trust by date posted; (e) the amount in the MHSA fund maintained by the Trust at the end of the reporting term; and (f) a report on the total amount of committed and uncommitted funds in the MHSA fund maintained by the Trust by development.

GRANT COMPLETION REPORT

The Grant Completion Report shall generally use the following format. This format may be modified as necessary to effectively communicate information on the activities funded by this Agreement, and includes the following:

Executive Summary

Reports and/or products

- Summary of the work completed.
- An estimate of the population of eligible individuals served by the project.
- A summary of the clients who received services through the use of the Grant amounts.
- A description of the housing facilities used to provide housing for eligible individuals.

Cost & Disposition of Funds Information

- A summary of final funds disbursement for the project.

EXHIBIT C

AUDIT DOCUMENT REQUIREMENTS

Audit Document Requirements

The list below details the documents/records that County Auditors may review in the event the Agreement being audited. The Grantee should ensure that such records are maintained.

Internal Controls:

1. Organization chart (e.g., Grantee's overall organization chart and organization chart for this Agreement's funded project).
2. Written internal procedures and flowcharts for the following:
 - a) Receipts and deposits
 - b) Disbursements
 - c) Guidelines, policy(ies), and procedures on the Grant funded program.
3. Audit reports of the Grantee's internal control structure and/or financial statements within the last two years.

Agreements:

1. All subcontractor and consultant contracts and related agreements, if applicable.
2. Agreements between the Grantee, and project partners as related to the County funded Program/Project.

Invoices:

1. Invoices from vendors and subcontractors for expenditures under the Agreement, if applicable.
2. Documentation linking subcontractor invoices to the Agreement, as applicable.

Cash Documents (as applicable):

1. Receipts (copies of warrants) showing payments received from the County.
2. Deposit slips or bank statements showing deposit of the payments received from the County.
3. Cancelled checks or disbursement documents showing payments made to vendors, subcontractors, consultants, and/or agents under the Agreement.

Accounting Records:

1. Ledgers showing receipts and cash disbursement entries of County funding.
2. Ledgers showing receipts and cash disbursement entries of other funding sources.
3. Bridging documents that tie the general ledger to the expenditure of the Grant amounts.

Administration Costs:

1. Supporting documents showing the calculation of administration costs.

Personnel:

1. List of all contractors and Grantee staff that worked on the County funded program.
2. Payroll records including timesheets for Grantee and contractor staff.

Project Files:

1. All supporting documentation maintained in the Grant funded program files.
2. All Agreement related correspondence.










Item 3.1 - OC-OCHFT MHSA-GEN FUND Grant Agreement-Amended and Restated_03082023 CLEAN

Final Audit Report

2023-03-16

Created:	2023-03-16
By:	ADAM ELIASON (adam@civicstone.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAeFuh4OG6r5Rt6g8Rp_KZQJF_1Ezi6Bgg

"Item 3.1 - OC-OCHFT MHSA-GEN FUND Grant Agreement-Amended and Restated_03082023 CLEAN" History

-  Document created by ADAM ELIASON (adam@civicstone.com)
 2023-03-16 - 9:12:07 PM GMT - IP address: 174.74.254.8
-  Document emailed to aeliason@ochft.org for signature
 2023-03-16 - 9:14:47 PM GMT
-  Email viewed by aeliason@ochft.org
 2023-03-16 - 9:17:12 PM GMT - IP address: 174.74.254.8
-  Signer aeliason@ochft.org entered name at signing as Adam B. Eliason
 2023-03-16 - 9:17:49 PM GMT - IP address: 174.74.254.8
-  Document e-signed by Adam B. Eliason (aeliason@ochft.org)
 Signature Date: 2023-03-16 - 9:17:51 PM GMT - Time Source: server- IP address: 174.74.254.8
-  Document emailed to lauren.kramer@coco.ocgov.com for signature
 2023-03-16 - 9:17:52 PM GMT
-  Email viewed by lauren.kramer@coco.ocgov.com
 2023-03-16 - 9:19:06 PM GMT - IP address: 104.47.65.254
-  Signer lauren.kramer@coco.ocgov.com entered name at signing as Lauren Kramer
 2023-03-16 - 9:19:40 PM GMT - IP address: 136.226.64.96
-  Document e-signed by Lauren Kramer (lauren.kramer@coco.ocgov.com)
 Signature Date: 2023-03-16 - 9:19:42 PM GMT - Time Source: server- IP address: 136.226.64.96

✔ Agreement completed.

2023-03-16 - 9:19:42 PM GMT

Names and email addresses are entered into the Acrobat Sign service by Acrobat Sign users and are unverified unless otherwise noted.