



C A L I F O R N I A   D E P A R T M E N T   O F

# Mental Health

1600 9th Street, Sacramento, CA 95814  
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October 22, 2008

DMH INFORMATION NOTICE NO.: 08-31

TO: LOCAL MENTAL HEALTH DIRECTORS  
LOCAL MENTAL HEALTH PROGRAM CHIEFS  
LOCAL MENTAL HEALTH ADMINISTRATORS  
COUNTY ADMINISTRATIVE OFFICERS  
CHAIRPERSONS, LOCAL MENTAL HEALTH BOARDS

SUBJECT: COMMUNITY SERVICES AND SUPPORTS GENERAL SYSTEM  
DEVELOPMENT HOUSING - PROJECT-BASED OPERATING  
SUBSIDY CLARIFICATION

REFERENCE WELFARE AND INSTITUTIONS CODE SECTION 5847 (d),  
SECTION 5878.3, SECTION 5892, SECTION 5893 AND  
CALIFORNIA CODE OF REGULATIONS SECTION 3615 AND  
SECTION 3630

This Department of Mental Health Information Notice clarifies the circumstances when project-based operating subsidies for housing are an eligible expenditure under Community Services and Supports (CSS) General System Development (GSD). To the extent that there are differences between this Information Notice and prior DMH publications, the requirements in this notice will prevail.

DMH had limited GSD funding for project-based operating subsidies only for housing units acquired, i.e. purchased or developed, with GSD funds. DMH no longer requires that the housing units be acquired with GSD funds. The units may be acquired through other non-MHSA funding sources and qualify for project-based operating subsidies. Units must be used for project-based housing for clients specified in Welfare and Institutions Code Section 5600.3 (a), (b) or (c), and when appropriate the clients' families.

Project-based operating subsidies, also known as Capitalized Operating Subsidies, are funds set aside in a reserve for the purpose of supplementing Development income for the payment of approved Operating Expenses associated with units serving clients.

## **SPECIFIC REQUIREMENTS**

Capitalized Operating Subsidy funds must be deposited into a reserve account prior to occupancy and administered by the County. In determining the needed amount, a County must base the calculation on the difference between the anticipated tenant-portion of the rent minus anticipated vacancies and the estimated annual operating costs of the units housing clients over a twenty (20) year projection. Project-based housing units that receive rental or operating subsidies from other non-MHSA funding sources (that are insufficient to cover the need or expire) may also receive GSD Capitalized Operating Subsidies for expenses not covered by other subsidy contract(s).

If you have any questions, please contact your County Liaison identified on the following internet site: <http://www.dmh.ca.gov/CountyOps/contact.asp>.

Sincerely,

Original signed by

STEPHEN W. MAYBERG, Ph.D.  
Director