



**STATE OF CONNETICUT
DEPARTMENT OF
MENTAL HEALTH AND ADDICTION SERVICES**

**PROCEDURES & GUIDELINES MANUAL
FOR
CAPITAL IMPROVEMENTS
AND
DOWNPAYMENT ASSISTANCE**

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**DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES –
GRANT-IN-AID BOND FUND AWARDS**

OVERVIEW

I. Introduction:

The Department of Mental Health and Addiction Services (DMHAS) provides Bond Funds for Capital Improvements and Down Payment Assistance. The Program offers grants approved by State bond funds to municipalities and qualified 501 (c)(3) non-profit organizations and to acquire, construct or renovate, plan and design physical structures and to provide down payment assistance.

II. Mission Statement:

The mission of the DMHAS is to provide capital improvement and down payment assistance bond funds to municipalities and organizations statewide in order to assist with the financing and support of capital development projects.

III. Approval Process:

Bond Fund Applications are approved the following approval process:

- **Step 1** Preliminary review of the grant application to determine project eligibility and appropriate use of funds;
- **Step 2** Approval of the project by the State Bond Commission (SBC);
- **Step 3** Further due diligence and evaluation by CCU/DMHAS;
- **Step 4** Propose award letter to the Applicant;
- **Step 5** Applicant and DHMAS approvals; and
- **Step 6** Payment – distribution of funds via ACH.

A. Eligibility/Selection Criteria:

Municipalities are eligible for funding on projects as approved by the State Bond Commission. Only private, non-profit grantees who receive funding through a DMHAS Human Service Contract are eligible to submit an application for grant-in-aid Bond Funds. General hospitals are excluded from applying. The particular site for which funds are requested must house a DMHAS-funded program.

In reviewing Bond Fund applications, DMHAS will utilize the following hierarchy to **prioritize** projects for funding. Applications will be reviewed and evaluated in the following categories for occupied sites:

1. **State or local fire, health and safety code compliance requirements** – This category will be given the highest priority. Code compliance issues must be documented by the responsible state or local official, citing the code and section that is in noncompliance.

2. **State or local fire, health and safety code recommendation** - Health, fire and safety recommendations also must be documented by the responsible official. State and/or local codes should be cited where appropriate.
3. **Upgrades** - Upgrades do not include specific fire, health and safety projects but improve the functioning, appearance or energy efficiency of a site. Upgrades should not include normal maintenance activities such as internal painting or carpeting replacement. The need for upgrading existing systems must be substantiated.

(Please note, higher priority will be given to residential sites which house DMHAS clients.)

In light of past storms causing extended power outages, grantees are encouraged to consider applying for funding for projects that would provide backup power in such emergencies.

Applicants must be able to document sufficient operating funds to ensure program services can be provided for a minimal duration of three (3) years. In addition, the applicant must commit to continued use of the facility to be acquired or improved for a period of not less than ten (10) years. All renovations or new construction undertaken with DMHAS must be and remain in compliance with the American with Disabilities Act.

Statutes authorizing DMHAS to award grant-in-aid Bond Funds stipulate that a lien be placed on the property in favor of the state to ensure that the awarded Bond Funds will be repaid in the event that the premises ceases to house a state-funded program. The value of the lien decreases ten percent per year for each full year which elapses since the date of the award.

In order to verify the protection of the state's lien for bond fund projects, all applicants must complete the **Lien Analysis Form** which is located on pages 11 and 12 of the application. **Applications will not be considered for funding if the current value of the liens, plus the mortgage balance, plus the bond fund application amount exceed the current market value of the property.**

Preliminary applications will be reviewed for consistency with the program's intent and mission of the Department. Additional documentation will be required for SBC approval. Once SBC approval is obtained, a final application will be submitted to DMHAS and will serve as the basis of the contract between the Department and Applicant.

B. State Bond Commission Approval: May occur simultaneous to application submission. Please note that approval is contingent upon future SBC meeting dates and/or cancellations.

C. Additional Due Diligence: May occur which includes further evaluation of the application, project scope and expenditures. Site visits may be conducted as needed.

D. Intent to Fund: Following completion of the application review and due diligence evaluation process, an award letter to fund the proposed project will be extended to the applicant, along with an approved project budget and request for completion of the following:

- Certified Resolution Form
- Non-Discrimination Certification (as applicable)
- OPM Ethics Forms (as applicable)
- W-9 Taxpayer Identification Form
- Agency Vendor Form
- ACH Electronic Funds Transfer Form
- Letters of Good Standing
 - Connecticut Department of Revenue Service (DRS)
 - Connecticut Office of the Secretary of the State (SOTS)
- Evidence of Matching Funds, as applicable
- Evidence of Required Insurance Coverage
- Lien Agreement, as applicable
- Owner's Statement including approval for leased/owned facilities, as applicable
- Land/Building Acquisition Form, as applicable
- Appraisal(s), as applicable
- Bid Documents, as applicable

Upon agreement of the terms and conditions within the DMHAS award letter to approve grant assistance to the eligible applicant for its proposed project, as well as execution of the award letter and the supporting documents, the eligible applicant will return the acceptance package to DMHAS.

NOTE: All eligible applicants agree to accept responsibility for the payment of all necessary and appropriate fees associated with its respective transaction, whether or not a closing takes place. Such costs may include reasonable attorney fees, appraisal costs, and other possible fees and costs related to this including the closing costs associated with securing the State Financial Assistance.

E. Contract Approval: Applicants approved for a grant under the Capital Improvements Program will be required to execute a contract with the State of Connecticut Department of Mental Health and Addiction Services ("DMHAS", also known as the "Department"). Once the approved applicant is issued an award letter and all due diligence is completed, the CCU/DMHAS program/project manager will forward all documentation for finalization to the Commissioner. The executed contract between DMHAS and the applicant will include reporting requirements, a payment schedule, and other applicable requirements associated with the funded project. *Special Note: A Bond Fund contract template has been approved to form by the Office of the Attorney General's (OAG) per the Memorandum of Agreement (MOA), Waiver of Contracts Using Approved Templates between the OAG and DMHAS dated September 10, 2015. As agreed upon by the MOA, a waiver has been issue which eliminates the contract review process conducted by the OAG.*

F. Payment Phase: Grant assistance provided under the Bond Fund Capital Improvements and Down Payment Assistance Program shall be transmitted electronically via ACH upon receipt from the approved eligible applicant: signed payment requisition forms approved by the Commissioner of DMHAS.

APPLICATION REVIEW PROCESS

Application reviews will be conducted by the DMHAS Engineering Division and DMHAS Central Office staff, which includes Community Services Division staff and Human Service Contract Unit staff.

Subsequent to the review process, applications will be prioritized by category (i.e. code compliance, code recommendation and upgrade) by DMHAS staff. Recommendations for approval will be made to the Commissioner of the Department. DMHAS-approved projects will then be submitted to the Office of Policy and Management. Upon review and approval by the Office of Policy and Management, projects will need to be submitted to the State Bond Commission for final approval.

As part of the Bond Fund review process, the following information from your most recent audited financial statements will be examined.

1. Statement of Financial Position;
2. Statement of Activities;
3. Statement of Cash Flow;
4. State Single Audit Report;
5. Federal Single Audit Report;
6. Audited financial statements for Holding and/or Subsidiary Companies (if applicable). Special attention will be given to related party transactions and transfers;
7. Any audit findings in the most recent audit.

The review will also take into account the provider's compliance with DMHAS contract stipulations including timeliness of fiscal and programmatic reporting.

*The following pages include instructions for applying for capital improvements and down payment assistance. **Please review the application and instructions carefully.** If an application is incomplete or if clarification is needed, State Bond Commission approval and funding of awards may be delayed.*

APPLICATION REQUIREMENTS FOR CAPITAL IMPROVEMENTS

Applications must include a Narrative that describes the project in detail. Include information regarding location, accessibility, how the site is currently used and the number of clients served at the site.

The enclosed application form must be completed, signed and dated. PLEASE COMPLETE ONE APPLICATION PER ADDRESS. The owner's written approval for each of the proposed projects is required for leased facilities and applicant owned facilities. In order for the application to be considered, the **Owner's Statement** on page 9 of the application must be completed.

In order to verify the protection of the state's lien for bond fund projects, all applicants must complete the Lien Analysis Form which is located on pages 11 and 12 of the application. **Applications will not be considered for funding if the current value of the liens, plus the mortgage balance, plus the bond fund application amount exceed the current market value of the property.**

Due to considerations associated with the Tax Reform Act of 1986, Bond Counsel for the State of Connecticut requests information regarding the tax status of property owners in the case of renovations to leased facilities. This information must be provided. If the owner is a 501(c)(3) organization, the appropriate documentation must be submitted. A copy of the grantee's 501(c)(3) letter from the U.S. Internal Revenue Service also must be included. If your agency has had a name change, please be sure this is reflected in the letter.

In addition, provisions under the Tax Reform Act of 1986 provide that states must document to the federal government that payments for bond fund projects do not earn interest, even overnight, in grantee accounts. Payments must be made directly to the vendor of services or be a strict reimbursement. Such documentation will enable the State of Connecticut to preserve its ability to issue tax-exempt bonds.

For all bond fund projects in which the selected contractor's bid is greater than or equal to \$100,000, a PERFORMANCE BOND in an amount not less than 100% of the bid, must be submitted and on record in order to allow payment of invoices. This is the mechanism through which the quality and performance of the work being financed with the State of Connecticut bond funds is guaranteed. It is general practice for contractors in private industry to procure a performance bond for projects. A performance bond is acquired from an insurance or bonding company by the contractor. A performance bond does not have to be submitted with the application, however, it must be on file with DMHAS prior to payment of invoices.

Funds requested for architectural fees may not exceed 10% of the total amount requested from DMHAS. When an overall renovation project takes place and the cost of equipment is less than 10% of the total construction costs, and the equipment is installed as part of the design, it may be considered for review for funding. Exterior painting will not be funded,

unless the building has a historical designation (please include documentation). Applications may be submitted for siding. Interior painting, carpeting, etc. will not be funded unless it is required as part of a major renovation. Telephone systems, computer systems, feasibility studies and contingency categories will not be funded.

Private nonprofit grantees must inform DMHAS fiscal staff immediately of any plans to change ownership or tenancy of a funded site, as this affects the status of the grantees' bond fund contract(s) with the DMHAS.

Applicants are required to submit photographs for each proposed project, where feasible and appropriate. These photographs provide valuable input during the review process.

Presence of lead paint, including the ramifications of removal or abatement must be disclosed within the application. Please indicate whether lead paint is present and whether it will be disturbed as part of the renovation work. Cost of lead paint abatement should be taken into consideration when requesting renovation funds. The majority of pre-1978 construction contains lead paint. Also, if a site is to be used for residential purposes, there are strict guidelines if a child age six or under will be living at the site.

Each specific renovation project in the application proposal must include:

Identification and justification of need;

Explain in detail the work required. Submit confirmation of need including state or local fire and/or health code violations and/or other documents which substantiate need. Projects should be prioritized by the applicant within the justification.

A written specification for each project;

A written specification detailing each project must be submitted with the application. These specifications must be submitted to each contractor so they are bidding on the exact same project.

Detailed drawings should be included with each specification. Specifications for bathroom or kitchen remodeling should specify the make and model of fixtures and accessories. Please be specific about the material to be installed and the guarantee required when writing specifications for roof replacement or building siding work.

Grantees must require that all contractors bidding on the projects have a certificate of insurance covering public liability and worker's compensation. If a contractor is a sole employee and, therefore, does not carry worker's compensation, please state such. Requirements for public liability and worker's compensation insurance must be stated in the written specifications grantees use to solicit bids from the contractors. If a performance bond is needed, this should also be mentioned in the specifications.

Three (3) written bids based on the written specification:

Three written bids are required for each project and should be based on the written specification referenced above. DMHAS will fund the lowest responsible and qualified bidder on the basis of competitive bids. The lowest responsible and qualified bidder is defined as the contractor whose bid is the lowest received and who possesses the skill, ability and integrity necessary to perform the work based on past performance and financial responsibility. Please provide a justification if you are not utilizing the lowest bidder. Competitive bids should be sought through advertisement of the work specifications/descriptions in appropriate media. Please complete page 13 of the application which is a summary of the bids. Copies of the written bids from the contractors should be submitted with the application. The website www.contractors.com may be helpful in researching contractors in your area.

It is to your advantage to submit bids on the smallest recognizable project basis. This will enable DMHAS' review process to select and fund the most needed items.

If you receive funding from other state agencies, please be sure to explore what funding sources for capital projects they may have available. It may be possible to request funding from those agencies, as well as DMHAS.

DMHAS will take into consideration those grantees that contribute to the cost of the projects. **The complete review and approval process by DMHAS and OPM may take a minimum of three to four months** as both DMHAS and OPM are required to extensively review applications for consideration. Therefore, this timeframe should be factored in when seeking bids. Please be aware that DMHAS has no control or influence on items selected for approval on the SBC Agenda.

NOTE: The State assumes no responsibility for improvements made prior to the execution of an authorized contract. There is no reimbursement for monies spent prior to the approval of a contract for any purpose.

APPLICATION REQUIREMENTS FOR DOWN PAYMENT ASSISTANCE

Bond Funds for DMHAS Funded Private Nonprofit Providers are available to provide funds for down payment assistance for the purchase of facilities. Funding is available in an amount up to 30% of the lowest appraisal or 30% of the purchase price if it is lower than the appraisal.

Applications must include a Narrative that describes the project in detail. (Include information regarding location, accessibility, if you are presently leasing the space, number of clients served and how the programs operated on-site relate to the local managed service system, if appropriate.) Bond funds cannot be used to fund feasibility studies.

The enclosed application must be completed, signed and dated. Providers that enter into an Agreement to Purchase will be considered the owner(s) and must complete the Owner's Statement. A copy of the 501(c)(3) letter, which documents the provider's nonprofit status from the U.S. Internal Revenue Service, must be included.

In order to verify the protection of the state's lien for bond fund projects, all applicants must complete the **Lien Analysis Form** which is located on pages 11 and 12 of the application. **Applications will not be considered for funding if the current value of the liens, plus the mortgage balance, plus the bond fund application amount exceed the current market value of the property.**

The **Land/Building Acquisition Form** is on page 13 of the application. Applicants that have a need to acquire land or buildings must demonstrate that they have reviewed the listing for all available excess state property in the area. Providers considering bond funds for down payment assistance must complete page 13 of the application and return it as soon as possible. DMHAS staff will notify you as to the availability of vacant state property. When requesting bond funds for down payment assistance, this documentation must be on file prior to the application being reviewed by DMHAS.

In order to provide appropriate documentation, new payment procedures have been established and are now in effect for all payments. Provisions under the Tax Reform Act of 1986 provide that states must document to the federal government that payments for bond fund projects do not earn interest, even overnight, in provider accounts. Payments must be made directly to the vendor of services or be a strict reimbursement. Such documentation will enable the State of Connecticut to preserve its ability to issue tax exempt bonds.

Applicants must submit the square footage of ordinary living space for the site to be purchased. Ordinary living space means only that living space which is used by clients and/or staff during the normal course of the day. Areas which are to be included are: living rooms, bedrooms, bathrooms, kitchen areas, pantries, interior hallways, TV rooms, dining rooms, laundry rooms, basement recreational areas, enclosed porches, and staff offices. Areas to be excluded include: basement storage areas, attics, interior and exterior stairways, furnace rooms and outside areas such as open porches, decks, etc.

The applicant must include a copy of the Agreement to Purchase. **The Agreement to Purchase must contain language stating that the property will not continue to be**

shown prior to the closing date. In addition, applicants must submit a copy of the provider's Board of Directors' resolution that authorizes the Executive Director or other designated provider representative to act on behalf of the Board of Directors to purchase the property.

For down payment assistance bond funds, the lien cannot be placed until the closing on the property has occurred. Therefore, the lien must be filed within two business days after the closing. A receipt verifying the recording of the lien in the town where the property is located is due to DMHAS within ten (10) business days after the closing. It is the provider's responsibility to ensure that a copy of the lien, with volume and page numbers, is forwarded to DMHAS within 60 days after the closing.

Providers must submit appraisal(s) of the property to be purchased. The appraisal must be done by an MAI certified appraiser. *(Refer to the Appraisal Disclosure Statement on page 13 for additional appraisal requirements.)*

All applications must include an Engineering Report or Inspection Report on the property to be purchased. The Engineer/Inspection Report must include information on the presence of lead paint including the ramifications of removal or abatement. The majority of pre-1978 construction contains lead paint. The purchase price of a property should take into account lead abatement costs. Also, if a site is to be used for residential purposes, there are strict guidelines if a child age six or under will be living at the site.

Providers must submit a copy of the fully executed mortgage commitment agreement. **This is not a letter of intent, but an actual commitment.** Submission of this document does not need to occur at the time of initial filing; however, it must be submitted prior to the execution of the contract.

Applicants must submit all documentation which clearly demonstrates that the proposed site meets, or will meet, all applicable licensing, local and State zoning, building, health fire and safety standards and criteria.

Please include a photograph of the site, if possible. These photographs provide valuable input during the review process.

If you receive funding from other state agencies, please be sure to explore what funding sources they may have available. It may be possible to request funding from those agencies, as well as DMHAS.

The review and approval process can be expected to take a minimum of three to four months as both DMHAS and OPM are required to extensively review applications for consideration. Therefore, this should be factored in when determining a closing date for purchasing the property. Please be aware that DMHAS has no control or influence on items selected for approval on the SBC Agenda.

NOTE: The State assumes no responsibility for purchases made prior to the execution of an authorized contract. There is no reimbursement for monies spent prior to the approval of a contract for any purpose.

LIEN DISCLOSURE STATEMENT

STATE LIENS ON FACILITIES DEVELOPED WITH TAX-EXEMPT BOND FUNDS MAY APPLY.

The following statutory reference applies to all **Bond Fund Grants**: "In the case of any grant-in-aid made pursuant to Section 34 of this act which is made to any entity which is not a political subdivision of the state, the contract entered into pursuant to Section 39 of this act shall provide that if the premises for which such grant-in-aid was made ceases, within ten years of the date of such grant, to be used as a facility for which such grant was made, an amount equal to the amount of such grant, minus ten percent per year for each full year which has elapsed since the date of such grant, shall be repaid to the state and that a lien shall be placed on such land in favor of the state to ensure that such amount will be repaid in the event of such change in use.... (P.A. 09-2, Section 34)."

The ownership of the premises in question becomes the determining factor as to (1) whether or not a lien is required; (2) who is responsible for placing the lien on the property; and (3) the form of the lien.

The following actions are **REQUIRED** by the DMHAS to satisfy the lien requirement.

1. If the premises (property/building) etc. are owned by a municipality, housing authority or the State of Connecticut, there is no lien requirement and no action is necessary;
2. If the premises/property is owned by the grantee, the grantee must take a copy of the DMHAS contractual agreement which identifies the funding that the grantee has received and that has a condition of the receipt of the funding, the grantor (DMHAS) requires that a lien be recorded in favor of the State in the municipal registrar of deeds. Upon such recording the grantee shall forward evidence of such recording to the grantor (State of CT, Department of Mental Health and Addiction Services, attention Bond Fund Coordinator).
3. If the property is owned by a third party and leased by the grantee, the grantee must:
 - a. Have its attorney prepare a lien document for the owner to execute naming the State of Connecticut as the lienor in the amount of the grant. This document should follow the language of the special act cited above; OR
 - b. Have the owner record the attached Owner's Statement with the DMHAS Contract on the deed.
4. Where liens are required, the liens must be placed on the property within 10 days of the start of your contract with DMHAS.

5. The grantee shall forward to DMHAS either a copy of the Contract bearing the Registrar's stamp or other indication of recording; or in the case of a third party owner a copy of the lien document and evidence that it was filed.
6. All grant recipients of bond funds must provide a written agreement to the placement of a lien on the proposed premises in favor of the State prior to contract execution, in order to receive state grant funds.

APPRAISAL DISCLOSURE STATEMENT

Appraised Property Value: For properties acquired with State bond funds that are valued at less than \$100,000 one independent appraisal is to be prepared and submitted. For property valued at \$100,000 or more, two independent appraisals shall be prepared and submitted. The purchase price of the property must not exceed the high appraised value (State agencies may exceed the price under extraordinary circumstances if approval is obtained from the State Properties Review Board). All attempts should be made to negotiate the lowest possible price.