



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Community Services
Department
Department No.: 057
For Agenda Of: April 2, 2024
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Jesus Armas, Community Services Director (805) 568-2467
Director
Contact Info: Joe Dzvonic, Deputy Director, Housing and Community
Development, (805) 568-3524

SUBJECT: **Substantial Amendment to Santa Barbara County's 2022-23 and 2023-24 Action Plan adding \$777,621 in HOME funds to the Buena Tierra Apartments Project, and Project Loan Documents with the Housing Authority of the County of Santa Barbara for additional Project HOME funding; 3rd Supervisorial District**

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

- a) Approve a Substantial Amendment to the FY 2022-23 and 2023-24 Action Plan (Attachment A), which adds \$777,621 in HOME funds for a Project loan to the Housing Authority of the County of Santa Barbara and direct staff to submit the Substantial Amendment to the U.S Department of Housing and Urban Development (HUD); and
- b) Approve and authorize the Chair of the Board of Supervisors to execute a Project HOME Loan Agreement (Attachment B), and HOME-Regulatory Agreement (Attachment D); and
- c) Determine that the proposed action is exempt from the California Environmental Quality Act (CEQA) guidelines, pursuant to AB 83, signed into law by Governor Gavin Newsom on June 29, 2020, which established a statutory exemption from CEQA for activities funded by State of California Homekey funding (Health and Safety Code Section 50675.1.2.), of which the Project has also received financial support. An August 4, 2020, letter in this regard from the City Manager of the City of Goleta to the State Department of Housing and Community Development is included as Attachment G herein.

Summary Text:

Today's Board item approves a Substantial Amendment to Santa Barbara County's 2022-23 and 2023-24 Action Plan and approves execution of Project HOME Loan Agreement and Regulatory Agreement for an additional \$777,621 contribution of County HOME funds to the Housing Authority of the County of Santa Barbara (HASBARCO).

Utilizing State of California Homekey funding, on March 23, 2021, the Housing Authority acquired the property at 6021 Hollister Avenue in the City of Goleta, a 65-room Super 8 Motel, for conversion to a permanent supportive housing development serving the most vulnerable homeless population. The Project encompasses adaptive re-use of the former motel to a 60-unit single-room occupancy structure, including community and office space and related amenities; one two-bedroom apartment serves as a Property Manager's residence. On June 8, 2023, the County provided financing for the Project utilizing American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds (SLFRF), and HOME ARPA (HOME-ARP) funds in the aggregate amount of \$3,530,383, comprised of \$1,500,000 in SLFRF and \$2,030,383, in HOME-ARP, respectively. During construction of the Project there were cost overruns resulting in the need for additional funds. The terms of this County HOME Loan are zero-percent interest, 20-year, and forgivable upon completion of Project compliance period of twenty years. Santa Barbara County is restricting four (4) additional County-assisted units above and beyond the eleven (11) restricted units under the prior County HOME-ARP Loan, for a total of 15 HOME-restricted units.

Background:

As background information, Attachment F includes the Board Letter and Minute Order from the June 8, 2023 meeting.

Since commencement of construction on August 12, 2022, the Housing Authority has realized unforeseen increased costs in the amount of \$3,154,666. In discussions with staff, the Housing Authority attributed the increased costs to three causes as follows, in roughly equivalent amounts.

- 1) Project construction change orders: Pursuant to Homekey funding requirements, the Project was fast-tracked, and subject to a compressed construction schedule. Project construction-detail drawings were unable to articulate and identify all Project construction-detail requirements. Not surprising, it was noted that adaptive re-use and conversion of a project involving existing aged structures often involve "discovery" of unforeseen construction issues as Project work progresses. Project change orders to address this resulted in Project cost increases during course-of-construction.
- 2) Additional work required as a result of re-configuring building system's mechanical, electrical and plumbing systems attributable to undertaking an adaptive-reuse project: There were no existing kitchenettes in rooms in the prior motel and the challenges associated with re-configuring and adapting the construction scope of work to incorporate and include these in individual rooms, also contributed to unforeseen added costs.
- 3) A portion of the Project site is within the City of Santa Barbara's jurisdiction. The City is requiring site improvements including landscaping, and lighting.

Although work on the Project continues to progress, the initial planned schedule projected completion date has been extended. The Project was partially-occupied in mid-February 2024, pursuant to a Certificate of Occupancy issued by the City of Goleta. Estimated completion and full occupancy is projected to occur by the end of April.

With regard to the development budget and current status, in context of initial financial projections and current costs, a side-by-side of the Project budget pursuant to the June 8, 2023 Board Item and at completion is below.

Buena Tierra Apartments-Sources of Funds

	June 8, 2023	Current
Homekey	\$15,357,501	\$ 15,357,501
ARPA - County	\$ 1,500,000	\$ 1,500,000
HOME-ARP	\$ 2,030,383	\$ 2,030,383
City of Goleta	\$ 592,905	\$ 592,905
<i>Added Project Costs</i>		\$ 3,154,666
Total Project Budget/Sources	<u>\$19,480,789</u>	<u>\$ 22,642,382</u>

The Housing Authority is requesting \$777,621 in new County HOME funds, which are currently available for the Project.

Concerning the remaining \$2,377,045, the Housing Authority considers this a developer financial contribution of its financial resources, which action has been approved by Housing Authority’s Board of Commissioners.

Performance Measure:

County HCD staff will monitor the Project during the construction phase through Project completion and lease-up to ensure that all performance metrics are being met and the four (4), HOME-designated units are occupied by Qualifying Populations in accordance with the October 10, 2021, Federal Register Notice 86 FR 56764, *Waivers and Alternative Requirements for Implementation of the HOME American Rescue Plan (HOME-ARP) Program*.

County HCD staff will continue to monitor the property against Housing Quality Standards (or other HUD tool) and occupancy requirements for the duration of the loan and regulatory term.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

Funding Sources	Current FY Cost:	Annualized On-going Cost:	Total One-Time Project Cost
General Fund			
State			
Federal			\$ 777,621.00
Fees			
Other:			
Total	\$ -	\$ -	\$ 777,621.00

Key Contract Risks:

HUD could require the County to repay HOME funds expended for ineligible expenses with non-federal funds. The subrecipient agreement specifies HOME-eligible expenses, and County staff will review each Project payment request to ensure that expenses have been incurred for eligible Project costs, as HOME funds are provided on a cost-reimbursement basis.

Staffing Impacts:

Current HCD staff will administer the subrecipient agreement. Staff time required to administer and monitor the Project is incorporated into County HCD’s annual operating budget, as existing staff resources are allocated for administrative and regulatory oversight of the Project.

Special Instructions:

1. Please return a copy of the Minute Order to Carlos Jimenez, at cjimenez@countyofsb.org.
2. Please execute each of the following and a) retain the original in COB files and hold **a copy** for pick up by Carlos Jimenez. Please email or call 8-3529 when ready for pickup:
 - a. Executed original of the HOME Loan Agreement (Attachment A),
3. Please hold for pick up the HOME Deed of Trust (Attachment B) **with original signature** for recording in the County’s real estate records. After recording, the original will be returned to COB for its files.
4. Please hold for pick up the HOME Regulatory Agreement (Attachment C) **with original signature** for recording in the County’s real estate records. After recording, the original will be returned to COB for its files. Please provide Clerk of the Board Acknowledgement as to signature for this document subject to recordation.
5. Please retain the HOME Promissory Note signed by Borrower (Attachment D) in COB records, and hold a COPY for pick up.

Please email or call Carlos Jimenez at cjimenez@countyofsb.org or 8-3529 when documents are ready for pickup.

Attachments:

- A: 2022-23, 2023-24 Action Plan Substantial Amendment
- B. HOME Loan Agreement, Buena Tierra Apartments
- C: HOME Deed of Trust, Buena Tierra Apartments
- D: HOME Regulatory Agreement, Buena Tierra Apartments
- E: HOME Promissory Note, Buena Tierra Apartments

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F: June 8, 2023, Project Loan Board Agenda Letter and Minute Order
G. August 4, 2020, CEQA Letter from City of Goleta City Manager to State of California HCD

Authored by:

Carlos Jimenez, Housing Program Specialist