



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 No.: 057
For Agenda Of: May 3, 2022
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from: N/A
Vote Required: Majority

TO: Board of Supervisors
FROM: Department George Chapjian, Community Services Director (805) 568-2467
Director
Contact Info: Dinah Lockhart, Deputy Director (805) 568-3523
Laurie Baker, Grants Program Manager (805) 568-3521
SUBJECT: **Adoption of an Authorizing Resolution, between Santa Barbara County and the State of California Housing and Community Development Department (HCD), to accept and receive \$848,011 in Community Development Block Grant Disaster Recovery Multi-Family Housing Program funds (CDBG-DR MHP) for the Escalante Meadows housing development, having been allocated prior to the City of Santa Barbara under Federal Emergency Management Agency (FEMA) disaster declaration DR-4353. (Supervisory District 5)**

County Counsel Concurrence

As to form: Yes

Risk Management

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors (Board):

- A. Adopt an Authorizing Resolution (Attachment A), formalizing acceptance and receipt of state CDBG-DR MHP funding in the amount of \$848,011, relinquished by the City of Santa Barbara, subject to state re-allocation to Santa Barbara County;
- B. Authorize the Director of the County Community Services Department, or designee, to execute an amended CDBG-DR MHP Master Standard Agreement (MSA) with state HCD for CDBG-DR MHP funding in the revised amount of \$1,436,515 subject to CDBG-DR MHP program guidelines;
- C. Determine that the above recommended actions are not the acceptance and approval of a project that is subject to environmental review under the California Environmental Quality Act (CEQA)

pursuant to CEQA Guidelines section 15378(b)(4), finding that the actions consist of the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

Summary Text:

As a result of the 2017 Thomas Fire and damage incurred to property, infrastructure, and transportation corridors, including loss of lives, in December 2017 the Federal Emergency Management Agency (FEMA) issued disaster declaration 4353, which enabled affected jurisdictions to apply to the State of California Housing and Community Development Department to access Community Development Block Grant Disaster Recovery (CDBG-DR) funds. Under one program component, CDBG-DR MHP, Santa Barbara County was allocated \$588,504 in these housing-loss mitigation funds, predicated on identifying an eligible affordable housing project approved by the state to receive these funds.

DR-4353 articulated a specific Montecito Zip Code, 93108, as the Most Impacted and Distressed Area (MID) with presupposition that CDBG-DR MHP funds would be spent within this immediately affected area. Staff conferred with state HCD and expressed the difficulty in identifying a project within this Zip Code to apply the funding. As a result, the state agreed to allow the CDBG-DR MHP funds to be applied to projects countywide, with the provision that focused, priority outreach be conducted to offer housing units to households displaced as a result of the Thomas Fire. Santa Barbara County has since identified a project in the city of Guadalupe, Escalante Meadows, under sponsorship of the Santa Barbara County Housing Authority, to receive these funds. The state has approved the project application, and its timing and schedule conform with CDBG-DR MHP expenditure and related compliance requirements.

As the 93108 Zip Code also encompasses a portion of the city of Santa Barbara, the state CDBG-DR MHP Action Plan also allocated \$848,011 to the City for eligible projects. However, as the City has not been able to identify a project that would conform to CDBG-DR MHP timeliness requirements, County and City staff have discussed with the state the City's relinquishment of its funds to the County rather than have them recovered by the state for disposition to either another jurisdiction affected by DR-4353, or possibly remitted back to the federal Treasury.

The state has agreed to this, and today's Board action resolves to accept these City-relinquished funds. Prior to today's Board action, at its March 29, 2022 public meeting, the Santa Barbara City Council passed a corollary Authorizing Resolution agreeing to relinquish its CDBG-DR MHP funds to the County (Attachment D). All told, this would result in CDBG-DR MHP funds for the County in the aggregate amount of \$1,436,515, which will be provided as further financial support towards Escalante Meadow's development costs.

This is an example of City/County cooperation and collaboration in working together in a regional way to create additional affordable housing. Attached (Attachment F) is a letter from the City of Santa Barbara following the City Council's unanimous approval to relinquish its CDBG-DR MHP funds to the County.

Background:

In Fall of 2017, wildfires throughout northern and southern California caused great damage, including within Santa Barbara County as a result of the Thomas Fire. Montecito incurred significant property loss, damage to infrastructure, and loss of life resulting from the fire and related debris flows. In

September 2017, Congress passed the Continuing Appropriations Act of 2018 and the Supplemental Appropriations for Disaster Relief Requirements (Supplemental Appropriations). This included \$7.4 billion in federal funding to support response and recovery from FEMA-declared disasters across the nation.

Subsequently, in December 2017, the Federal Emergency Management Agency (FEMA) issued disaster declaration, DR-4353, which covered defined areas of Santa Barbara County, specifically identifying the Montecito postal Zip Code, 93108, as a Most Impacted and Distressed Area (MID). The 93108 MID area also contains portions of the City of Santa Barbara in close proximity to Montecito.

In August 2018, the federal Department of Housing and Urban Development (HUD), accordingly allocated \$124 million in CDBG-DR Supplemental Appropriations to state HCD to address unmet recovery needs resulting from DR-4353. Based on state HCD's allocation methodology, Santa Barbara County was allocated \$588,504 in CDBG-DR MHP funds, while the City of Santa Barbara was allocated \$848,011. In accordance with CDBG program regulations, these funds have strict application and expenditure deadlines; these are reflected in the following table.

Deliverable	Deadline/Date
CDBG-DR MHP Master Standard Agreement	September 22, 2020
Deadline for Housing Project Proposal Submittal	December 31, 2021
Deadline for Construction of Housing Units	March 30, 2025
CDBG-DR Grant Close-Out	August 31, 2025

In January 2020, HCD reached out to local jurisdictions affected by FEMA Disaster declaration DR-4353, announcing a Notice of Intent process for future application to HCD for CDBG-DR MHP funds. County HCD subsequently responded to HCD's Notice of Intent indicating future plans to utilize this funding as partial mitigation for housing loss resulting from the Thomas Fire. The Notice of Intent was a precursor to meeting additional state due diligence and capacity review. County HCD staff has submitted all requested capacity review and due diligence documentation and materials to state HCD, and this has met with state approval. Accordingly, on September 16, 2020, the County Board of Supervisors voted to adopt a state CDBG-DR MHP Authorizing Resolution, (20-183, Attachment B; Minute Order, Attachment C), which was subsequently executed on September 22, 2020. On December 1, 2020, the Director of the Santa Barbara County Community Services Department executed a Master Standard Agreement (MSA) in the amount of \$588,504 for its allocation of CDBG-DR MHP funds.

In the interim, Santa Barbara County HCD has worked to identify an eligible affordable housing project for receipt of its CDBG-DR MHP funds in the City of Guadalupe, Escalante Meadows, and is currently working with state HCD on realizing this funding for the identified project. A description of the Escalante Meadows development is included herein as Attachment E to this Board Letter. The City of Santa Barbara has not been able to identify a project within the City that would meet state HCD deadlines. Accordingly, in conferral with the City of Santa Barbara and consult with state HCD, the state has agreed to allow the City to relinquish its allocation of CDBG-DR MHP funds to the County.

At its March 29, 2022 public meeting, the City of Santa Barbara City Council passed an Authorizing Resolution (Attachment D) agreeing to relinquish its \$848,011 allocation of CDBG-DR MHP funds to Santa Barbara County pursuant to prior state HCD agreement and concurrence.

Today’s Board action would resolve formal acceptance of the City CDBG-DR MHP allocation, and enable the Director of Community Services, or designee, to execute an amended state MSA, reflecting a revised allocation amount of \$1,436,515. It also ensures that these disaster recovery funds remain within the County, where they might otherwise, if uncommitted or unexpended, conceivably have been subject to re-allocation to other counties or cities affected by DR-4353 within the state, or possibly remitted back to the federal Treasury.

Once State HCD approves the application for the Escalante Meadows project, staff will return to the Board for execution of a Project Loan Agreement with Escalante Meadows LP for funding, which will include related documents, such as a rider and regulatory agreement.

Fiscal Analysis:

Federal				\$	1,436,515.00
Fees					
Other:					
Total	\$	-	\$	-	\$ 1,436,515.00

Key Contract Risk

Board-approved projects will have contracts executed between the County and the subrecipients. For CDBG-DR funded projects, the County could be subject to repaying federal funds, from non-federal source(s), if HUD finds that the County or its subrecipients expended funds inconsistent with regulations or otherwise did not comply with federal requirements. The County monitors loans and grants made to subrecipients for compliance with federal regulations and provides funds to subrecipients on a reimbursement basis after staff review of eligible costs. Future loans provided to subrecipients under CDBG-DR MHP will be in the form of a zero percent interest, 20-year term, deferred, forgivable loan pursuant to state guidelines. Real property improved, in whole or in part with CDBG funds, must continue to meet a CDBG National Objective for a period of at least five years. Failure to meet the five-year period may result in County reimbursement of the CDBG funds expended plus a percentage of the increase in market value attributable to the investment of CDBG funds. HCD monitors the financial condition and the use of real property for the duration of the required periods.

Staffing Impacts:

No new staffing impacts. The project recommended for funding in this board letter will be overseen by existing HCD staff.

Special Instructions:

1. Please have the Board Chair execute two copies of the CDBG-DR MHP Authorizing Resolution and return one copy with original signatures to Carlos Jimenez. Please call for pick up - ext. 83529.
2. Please retain one copy of the executed resolution for COB files.
3. Please send a copy of the Minute Order to Carlos Jimenez at cjimenez@co.santa-barbara.ca.us.

Receive \$848,011 in Santa Barbara CDBG-DR MHP funds
For Escalante Meadows family housing development
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Attachments:

- A. CDBG-DR MHP, Authorizing Resolution, Acceptance of City of Santa Barbara CDBG-DR MHP funds.
- B. CDBG-DR MHP, executed Authorizing Resolution 20-183, authorizing application to enter into a Master Standard Agreement for the County allocation
- C. Minute Order, 9-22-2020, Board of Supervisors Meeting.
- D. City of Santa Barbara, CDBG-DR MHP Authorizing Resolution, Relinquishment to County
- E. Escalante Meadows Development Project Description
- F. Letter from City of Santa Barbara