



BOARD OF SUPERVISORS    **Agenda Number:**  
AGENDA LETTER

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

**Department Name:** Behavioral Wellness  
**Department No.:** 043  
**For Agenda Of:** December 17, 2019  
**Placement:** Administrative  
**Estimated Time:** N/A  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors  
**FROM:** Department Alice A. Gleghorn, PhD, Director  
Director(s) Department of Behavioral Wellness (805) 681-5220  
Contact Info: Pamela Fisher, PsyD. Deputy Director of Clinical Operations,  
Department of Behavioral Wellness, (805) 681-5220  
Laura Zeitz, RN, Program Manager  
Department of Behavioral Wellness, (805) 681-5220  
**SUBJECT: Approval for the County of Santa Barbara to Join the Housing Authority of the  
County of Santa Barbara to Submit a State No Place Like Home (NPLH)  
Competitive Application by Resolution, as required by NPLH (Supervisorial  
District 2)**

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Other Concurrence:** Risk Management

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

- A. Adopt a Resolution (Attachment A) that authorizes the County to submit a joint application with the Housing Authority of the County of Santa Barbara (HACSB) as developer-borrower to the California Department of Housing and Community Development (State HCD) for No Place Like Home (NPLH) competitive loan funds for the proposed development of supportive affordable housing (Hollister Lofts) (APN 061-040-030); and, if funds are awarded, authorizes and directs the Director of the Department of Behavioral Wellness to act on behalf of County in connection with the award of NPLH Program funds subject to final approval by the Board; and
- B. Determine that the recommended action is not the 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 action is the creation of a governmental funding mechanism or other government fiscal activity, which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

**Summary Text:**

The Housing Authority of the County of Santa Barbara (Housing Authority) proposes to construct 33+/- rental units on property currently owned by the County of Santa Barbara located in the 4500 block of Hollister Avenue, Santa Barbara, California. Forty-nine percent (49%) of the units would be for homeless persons with a diagnosis of a chronic mental illness, and the balance of the units would be for homeless persons with incomes at or below 60% area median income (AMI). On November 5<sup>th</sup>, 2019, the Board determined that the Project would serve the social needs of the population of the County and that a portion of the property would not be needed for County purposes and approved and authorized the Chair to execute an exclusive negotiations agreement between the County and the Housing Authority.

The Housing Authority plans to apply for competitive State HCD NPLH funds to help finance development of the Project. NPLH program regulations require that a development sponsor submit a joint application with a county who is required to commit to provide mental health services to NPLH tenants residing at the Project for a period of twenty years. The deadline to apply for Round 2 NPLH competitive funds is January 8<sup>th</sup>, 2020. Approval of the recommended action would authorize the Director of BeWell (Director), on behalf of the County, to submit a joint application with the Housing Authority for NPLH Round 2 competitive funding to finance a portion of the proposed Hollister Lofts Project (Attachment B) and authorizes and directs the Director to act on behalf of the County in connection with the award of NPLH Program funds subject to final approval by the Board if the NPLH funds are awarded.

Applications must include a draft Supportive Services Agreement outlining the supportive services to be provided by the County or an MOU outlining the roles and responsibilities of the County, the project owner, other service providers, and the property manager (Attachment C). Pursuant to the NPLH program regulations, the proposed services will be comprehensive, including case management, peer support, care coordination, and living skills.

**Background:**

On October 12, 2018, the County Community Services Department, Division of Housing and Community Development (HCD), published a NOFA to solicit applications for grants and loans for affordable housing developments and other capital projects, and for a variety of human services and homeless programs. Staff returned to the Board on an as-needed basis for projects and programs utilizing Federal, State and/or local funds for housing development. For FY 2019-2020, new State funding streams were incorporated into the County's annual NOFA process, including the NPLH program which changed how funding under the Mental Health Services Act (MHSA) is administered.

On July 1, 2016, Governor Brown signed legislation enacting NPLH to dedicate up to \$2 billion in bond proceeds to invest in the development of permanent supportive housing for persons who are in need of mental health services and are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness. The bonds are repaid with MHSA funds. The State is allocating funds to counties on a competitive and non-competitive basis. Funding can be used for acquisition, construction, or rehabilitation of housing, and to subsidize extremely low rent levels over 20 years. The State issued Round 2 of the competitive allocation NOFA, in the amount of \$622 million, on September 27<sup>th</sup>, 2019. The deadline to apply for Round 2 NPLH competitive funds is January 8<sup>th</sup>, 2020.

This Board Letter is recommending that the Board adopt a resolution authorizing the County to jointly apply with the Housing Authority for a competitive allocation of NPLH funds for the proposed development of Hollister Lofts and authorizes and directs the Director to act on behalf of the County in connection with an award of NPLH Program funds subject to final approval by the Board, if the NPLH funds are awarded. The County would be required to enter into a Standard Agreement in a form substantially similar to the attached "Round 1 Standard Agreement" (Attachment D) with the State and

Housing Authority. Although the County would be a party to the Standard Loan Agreement, the NPLH funds would be loaned directly to the Housing Authority.

The proposed Hollister Lofts development would be located at APN 061-040-030 in the 4500 block of Hollister Avenue, Santa Barbara, California. While in preliminary design stages, Hollister Lofts will consist of approximately 33 rental units, 49% of which would be NPLH units for persons with serious mental illness who are homeless, chronically homeless, or at-risk of chronic homelessness. All other units will be restricted to formerly homeless persons with household incomes that are at or below 60% AMI. The manager’s unit would not be subject to rent and income restrictions. BeWell would provide required services to NPLH tenants either onsite or at another easily accessible location.

Once the Housing Authority and BeWell apply to the State for competitive NPLH funds, the Housing Authority then will commence pre-development activities, including obtaining entitlements, performing feasibility studies, obtaining an appraisal of the site from an independent third party appraiser, and applying for other funding, including low-income housing tax credits.

If Hollister Lofts receives entitlement approvals, the development would be reviewed by the County’s Capital Loan Committee (CLC) for feasibility, based on review of the construction budget, funding sources, and projected 15-year operating proforma, and consideration of a recommendation of approval by the Board of Supervisors. Staff would return to the Board of Supervisors for approval of any negotiated purchase agreement with the Housing Authority for the property. Staff would also return to the Board for approval of any County administered funds that may be proposed to help finance Hollister Lofts, which may include execution of loan documents including Promissory Note, Deed of Trust and Regulatory Agreement to protect the County’s interests. Potential funding sources include federal HOME funds and County In-Lieu affordable housing funds.

Total project cost, including COSR, is currently projected to be approximately \$4,822,998.00.

**Performance Measures:**

The County is also responsible for documenting the number of individuals experiencing homelessness or at imminent risk of homelessness served by the program funds. In order to be in compliance with the State as the Lead Service Provider of supportive services, BeWell will monitor the provisions of services to NPLH tenants as outlined in the draft Supportive Services Agreement with the Housing Authority. BeWell would submit an independent audit for Hollister Lofts, prepared by a certified public accountant and in accordance with the requirements of the State’s current audit requirements. Also, on an annual basis, BeWell would submit data for each NPLH assisted unit. This data may be, but is not required to be, gathered from the Santa Barbara County Homeless Management Information System. Increased service capacity, decreased unsheltered homeless persons and any increase in the number of homeless persons entering permanent housing attributable to the Hollister Lofts would be incorporated into the annual report.

**Fiscal and Facilities Impacts:**

Budgeted: Yes

**Fiscal Analysis:**

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized</u> <u>On-going Cost:</u>	<u>Total One-Time</u> <u>Project Cost</u>
General Fund			
State			\$ 4,822,998.00
Federal			
Fees			
Other: In-Lieu			
<b>Total</b>	\$ -	\$ -	<b>\$ 4,822,998.00</b>

If awarded, the \$4,822,998.00 NPLH funds would be loaned by the State directly to the Housing Authority upon receipt and approval of the joint-application from the Housing Authority and BeWell, and execution of the NPLH Standard Loan Agreement.

The supportive service to be provided to NPLH tenants by the County would be funded by ongoing State Mental Health Service Act (MHSA) revenues.

**Key Contract Risks:**

The State, BeWell, and Housing Authority will enter into the NPLH Standard Loan Agreement if funds are awarded. The State provided a Standard Agreement template based on the first round of NPLH funding (Attachment D) which is subject to revisions by the State for Round 2 NPLH funding. Based on the “Round 1” template, the County would be jointly and severally liable for the obligations of the Housing Authority and any limited partnership created by the Housing Authority to facilitate financing. This potential liability includes any costs and expenses needed to complete Hollister Lofts. The Resolution recommended for approval has been amended from the State’s original version to direct that the Director return to the Board for approval of the Standard Agreement. The Standard Agreement must be executed within 72 months from the date of the State’s funding award letter, at which time the status of the Hollister Lofts development will inform the risk of the County incurring any costs to complete it prior to execution.

If received, the NPLH allocation would be awarded to Hollister Lofts as a post-construction, permanent loan underwritten and held by the State as lender. This loan would have an initial term of 55 years, or longer if necessary to match the period of affordability restrictions under the tax credit program. BeWell would monitor the provisions of services to NPLH tenants required by NPLH, as outlined in the draft Supportive Services Agreement with the Housing Authority and MOU (Attachment C).

**Staffing Impacts:**

The current requested administrative activity falls within currently budgeted staff duties. Support Services needs will be evaluated in budget planning for FY 2021.

**Special Instructions:**

Please email one (1) complete executed contract and one (1) minute order for each vendor to [dmorales@co.santa-barbara.ca.us](mailto:dmorales@co.santa-barbara.ca.us), and [bwellcontractsstaff@co.santa-barbara.ca.us](mailto:bwellcontractsstaff@co.santa-barbara.ca.us).

**Attachments:**

Attachment A: NPLH Resolution

Attachment B: Hollister Lofts Supplemental Application

Attachment C: Draft Supportive Services Agreement and Memorandum of Understanding

Attachment D: Round 1 Standard Agreement

**Authored by:**

Natalia Rossi/dm