



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.: 055  
For Agenda Of: July 7, 2020  
Placement: Administrative  
Estimated Tme: N/A  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors  
**FROM:** Department Director(s) George Chapjian, Community Services Director,  
805-568-2485  
Contact Info: Dinah Lockhart, Deputy Director, 805-568-3523  
Laurie Baker, Program Manager, 805-568-3521  
**SUBJECT: Execution of Consortium Agreements and Resolution to authorize a Consortium  
Application to the State for Permanent Local Housing Allocation Funds**

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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. Authorize the Community Services Director or designee to submit a funding application in the amount of \$1,397,273 for program year 2019, and execute a Standard Agreement and all associated certifications, forms, and other documents to the State of California Department of Housing and Community Development for the Permanent Local Housing Allocation (PLHA) program.
- B. Adopt a Resolution authorizing the acceptance and administration of PLHA funds (Attachment A);
- C. Approve and authorize the Chair of the Board to execute Consortium Agreements creating the Santa Barbara County PLHA Consortium with the Cities of Goleta (Attachment B), and Santa Maria (Attachment C), which will designate the County as the administrating jurisdiction of the County and cities' PLHA funds (Consortium funds) being allocated by the Permanent Local Housing Allocation Noncompetitive award from the State of California, Department of Housing and Community Development.
- D. Authorize the Community Services Director or designee, during the five-year PLHA Plan period, to submit annual funding applications to the State in a cumulative amount up to

\$8,383,638 (the five-year estimate for the PLHA Consortium) and execute annual Standard Agreements and all associated certifications, forms, and other documents to the State of California Department of Housing and Community Development for the Permanent Local Housing Allocation (PLHA) program.

- E. Determine that the approval of the recommended actions is exempt from the California Environmental Quality Act (CEQA) per CEQA Guidelines Section 15378(b)(4) since the recommended actions are government fiscal activities which do not involve commitment to any specific project which may result in potentially significant physical impact on the environment.

**Summary Text**

The Recommended Actions request Board of Supervisors approval of the Community Services Director to apply for and accept noncompetitive funding under the State of California Permanent Local Housing Allocation (PLHA) Program on behalf of the County and cities of Buellton, Carpinteria, and Solvang; and the Cities of Goleta and Santa Maria. The cities of Carpinteria, Buellton, and Solvang are included in the County’s allocation because the cities are members of the County’s CDBG Urban County Partnership. The PLHA allocations are calculated using the 2017 CDBG allocation formula.

Upon Board approval, the Community Services Dept., Division of Housing & Community Development will submit a Noncompetitive application for the PLHA funds allocated to the County of Santa Barbara and on behalf of the Cities of Goleta and Santa Maria, which include the following:

1. PLHA application;
2. County resolution authorizing the County to enter into a Consortium Agreement with each of the Cities of Goleta and Santa Maria (together, the Consortium cities);
3. Consortium Agreements, which have a term of five years of (2019 – 2023) between the County of Santa Barbara (County) and the City of Goleta (Attachment B), and the City of Santa Maria (Attachment C) authorizing the County to act as the Administering Jurisdiction to apply for and administer PLHA funds allocated annually to the County and the Consortium Cities; and
4. Consortium Plan for program years 2019-2023 (Attachment D), developed in a collaborative process with the Consortium Cities and with community input which includes, among other requirements, the eligible activities for which the funds will be expended.

The County of Santa Barbara is eligible to receive an annual allocation from the State under the PLHA program. The County is eligible to receive \$569,787 for the initial year of the PLHA program (2019); the City of Goleta is eligible to receive \$94,015; and the City of Santa Maria is eligible to receive \$733,471, for a total of \$1,397,273. Over the next five years, the County and cities will receive an estimated \$8,383,638. The calculations are based on the CDBG allocation formula for 2017.

LOCAL ELIGIBLE GOVERNMENT	2019 PLHA Allocation
County of Santa Barbara	\$569,787
Goleta	\$94,015
Santa Maria	\$733,471

TOTAL	\$1,397,273
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One or more local governments may designate another Local government to administer on its behalf its formula allocation of program funds provided that the local governments enter into a legally binding agreement and the funds are expended for eligible activities and consistent with program requirements. A joint application shall be submitted by the jurisdictions as co-applicants and the application shall contain a Plan which clearly describes the relationships and the roles and responsibilities of the parties.

The County and the Cities of Goleta and Santa Maria (Consortium) have each agreed to enter into a Consortium agreement that authorizes the County to act as the Administering Jurisdiction for the Consortium to apply for and administer PLHA funds on the Consortium's behalf.

**Background:**

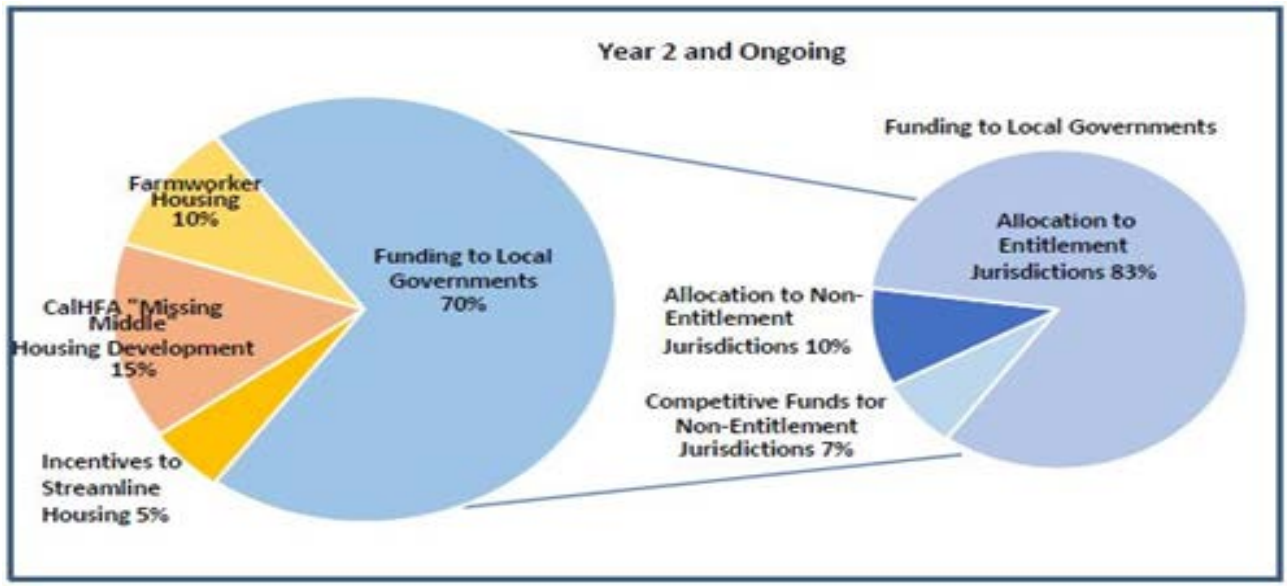
Chapter 364, Statutes of 2017 (SB 2, Atkins) as authorized by Health and Safety Code Section 50470, was part of a 15-bill housing package aimed at addressing the state's housing shortage and high housing costs. SB2 created the Building Homes and Jobs Trust Fund and the PLHA Program. Specifically, it establishes a permanent source of funding intended to increase the affordable housing stock in California. The revenue from SB 2 will vary from year to year, as revenue is dependent on certain real estate recordation transactions with fluctuating activity. The legislation directs the California Department of Housing and Community Development (Department) to use seventy (70) percent of the revenue collected, beginning in calendar year 2019, to provide financial assistance to local governments for eligible housing-related projects and programs to assist in addressing the unmet housing needs of their local communities. This program is hereafter referred to as the Permanent Local Housing Allocation (PLHA) program.

Moneys collected on January 1, 2018 and until December 31, 2018 were allocated as follows:

- Fifty percent for local governments to update planning documents and zoning ordinances in order to streamline housing production, including, but not limited to, general plans, community plans, specific plans, sustainable community strategies, and local coastal programs. Eligible uses also include new environmental analyses that eliminate the need for project-specific review and local process updates that improve and expedite local permitting;
- Five percent of the above-mentioned Fifty Percent planning grant allocation may be used for technical assistance to jurisdictions updating specified planning documents;
- Fifty percent to the department to assist persons experiencing or at risk of homelessness, including, but not limited to, providing rapid rehousing, rental assistance, navigation centers, and the new construction, rehabilitation, and preservation of permanent and transitional rental housing.

Moneys collected on and after January 1, 2019, shall be allocated as follows, 70% of which created the PLHA program and, of the 70%, 83% will be allocated annually to Entitlement Jurisdictions, which are jurisdictions that are eligible to receive annual allocations of Federal Community Development Block Grant (CDBG) funds.

The chart below shows how SB2 funds will be allocated in year 2 and ongoing.



The PLHA Guidelines authorize PLHA funds be expended on certain Eligible Activities. County staff convened a PLHA working group in 2019 consisting of city staff representatives. Additionally, four (4) community outreach meetings, in conjunction with the HUD Consolidated Plan development process, were held in Lompoc, Goleta, Santa Maria, and Santa Barbara to gather community input. To meet the objectives set forth by the PLHA program, the County, and the Cities of Goleta and Santa Maria have elected to allocate the PLHA funds toward the following Eligible Activities (A list of all Eligible Activities is included in Attachment E):

1. Forty five percent (45%) of the PLHA funds will be allocated toward the predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, rental housing that is affordable to extremely low, very low, low-, and moderate-income households, including necessary operating subsidies.
2. Thirty percent (30%) of the PLHA funds will be used for assisting persons who are experiencing or at risk of homelessness, including, but not limited to, providing rapid rehousing, rental assistance, supportive/case management services that allow people to obtain and retain housing, operating and capital costs for navigation centers and emergency shelters, and the new construction, rehabilitation, and preservation of permanent and transitional housing.
3. Fifteen percent (15%) of the PLHA funds will be used to provide homeownership opportunities, including, but not limited to, down payment assistance.
4. Ten percent (10%) of the PLHA funds will support the predevelopment, development, acquisition, rehabilitation, and preservation of Affordable rental and ownership housing, including Accessory Dwelling Units (ADUs), that meets the needs of a growing workforce earning up to 120-percent of AMI, or 150-percent of AMI in high-cost areas.

The table below shows how year one (2019) funds will be allocated to each Eligible Activity.

2019 PLHA FUNDS ALLOCATED TO EACH ACTIVITY		Percentage Allocated 2019-2023	2019 Allocation
1	The predevelopment, development, acquisition, rehabilitation, and preservation of multifamily housing	45%	\$628,773
2	Assisting persons who are experiencing or at risk of homelessness, including, rapid rehousing, rental assistance, supportive/case management services, operating and capital costs for navigation centers and emergency shelters, and the new construction, rehabilitation, and preservation of housing.	30%	\$419,182
3	Homeownership opportunities, including but not limited to, down payment assistance.	15%	\$209,591
4	The predevelopment, development, acquisition, rehabilitation, and preservation of Affordable rental and ownership housing, including Accessory dwelling units (ADUs) for up to 150 percent of AMI	10%	\$139,727
<b>TOTAL AMOUNT ALLOCATED IN 2019</b>		<b>100%</b>	<b>\$1,397,273</b>

Activity Descriptions and Examples

**Eligible Activity # 1** includes the development of multifamily, residential live-work, rental housing that is affordable to extremely low, very low, low, and moderate-income households, and is consistent with Program 5.1 of our Housing Element as it allows County HCD to work cooperatively and form partnerships with federal, state, and regional agencies, as well as private and non-profit entities to apply for public funding to support projects demonstrating creative strategies to address affordable housing needs.

**Eligible Activity #2,** includes a variety of assistance to aid persons who are experiencing homelessness or are at risk of homelessness. A Consortium investment in long-term solutions such as Rapid Re-Housing will reduce homelessness while restoring communities and lives. Local data for Santa Barbara County collected by conducting individual assessments of over 1,500 persons experiencing homelessness, in 2018, reflects that 507 households are in need of Rapid Re-Housing. Rapid Re-Housing transitions persons experiencing homelessness into permanent housing quickly with short- or medium-term rental assistance and stabilization services. This activity is consistent with Program 5.2 of the County’s Housing Element by contributing to the effort of the County to further the objectives in the County’s Homeless Plan. The Continuum of Care Rank and Review Committee may competitively distribute funding to service providers to provide Rapid Re-housing/rental assistance with case management services.

**Eligible Activity # 3** includes down payment assistance that can provide homebuyers who meet the low to middle income thresholds with down payment loans that enable them to secure conventional financing and remove financial barriers to the dream of homeownership. For example, a Workforce Homebuyer Program provides 10-year to 15-year, interest-only, down payment loans to assist first time home buyers in purchasing a home in the South Coast, Santa Ynez, Lompoc, and Santa Maria

communities. PLHA funds may help the program expand in other areas of the County. Consistent with Program 4.5 of the County's Housing Element, a down payment assistance program would continue to support County and private non-profit programs which provide "soft" second mortgages or other financial tools to assist moderate income, and in some cases, low-income home buyers. Homeownership provides a stable residence that strengthens the family, the neighborhood, and the community.

**Eligible Activity #4** includes the creation and preservation of rental and homeownership housing, including Accessory Dwelling Units (ADUs), that meets the needs of a growing workforce earning up to 120-percent of AMI, or 150-percent of AMI in high-cost areas. Examples include homeowner programs including homebuyer assistance, homeowner rehabilitation, and the creation of ADU units to expand housing opportunities for low-income households. For instance, a homeowner repair program could assist low-income homeowners with accessibility improvements and other improvements that support aging in place. This program is consistent with Program 4.4 of the existing Housing Element allowing the County to continue to work with non-profit organizations to implement a housing rehabilitation program for low-income homeowners. Through this activity neighborhoods are revitalized into vibrant, safe and inviting places to live for current and future residents of the County.

**Eligible Activity 4**, also provides opportunities toward the County's proposed ADU Initiative Program, where homeowners who agree to build an ADU and rent either the ADU (or the primary unit) to a low-income tenant at an affordable rent for a term of 10 years may be provided with free schematic designs and/or a scope of work, assistance with finding a qualified contractor, and a no-interest, deferred payment, construction loan of up to \$50,000 that is forgivable over a ten-year term. PLHA funds under this Eligible Activity could be used to provide the construction loan financing. This ADU Initiative Program is consistent with Program 1.13 of the County's Housing Element as it promotes the creation of additional housing stock within the local housing market areas encouraging the development of housing types which assist in satisfying the full spectrum of the County's housing needs.

#### Alleviating Housing Issues

Each year, the U.S. Department of Housing and Urban Development (HUD) receives custom tabulations of American Community Survey data from the U.S. Census Bureau. These data, known as the Comprehensive Housing Affordability Strategy (CHAS), demonstrate the extent of housing problems and housing needs, particularly for low-income households. The latest CHAS data released by HUD in August of 2019 reveal that the main housing problems assessed for the County of Santa Barbara are:

- 1) cost burdened households spending more than 30% of their income on housing
- 2) substandard housing conditions with dilapidated, incomplete kitchen & bathroom facilities, and
- 3) overcrowding with more than one person residing in each room

By allocating the County's and Cities' (Consortium) PLHA program funds toward the eligible activities described above, significant progress can be made in addressing the housing problems identified for Santa Barbara County by the CHAS data. The Consortium may support projects that demonstrate creative strategies to address the County's affordable housing needs. The supply of housing and associated programming will be increased and help alleviate overcrowding. Further, the PLHA program will contribute toward a proven solution to end homelessness with the provision of rental assistance for a permanent, safe, and affordable home. Finally, a down payment assistance program would help potential homeowners leverage additional resources for mortgage financing to lower acquisition costs and secure an affordable housing payment and lower their cost burden.

### **Key Consortium Agreement Provisions**

- ✓ County will include PLHA funds in its annual Notice of Funding Availability (NOFA), published annually in October/November for federal and other State funds
- ✓ NOFA will include each jurisdiction's available funds from its annual allocations
- ✓ Applications will be received and reviewed by County staff; applications specific to the cities will be shared with cities, and a summary of all applications will be shared with the cities
- ✓ Cities may use their allocations for eligible use(s) to benefit their city, or pool their funds to fund eligible projects countywide (minimum funding amounts apply)
- ✓ Cities may "bank" their allocations to combine with future year allocations for project(s)
- ✓ County will administer all project and program agreements with subrecipients (minimum contract amounts may apply)
- ✓ County reserves the right to redeploy uncommitted or unspent funds to alternative eligible uses in order to preserve the funds and avoid recapture by the State
- ✓ PLHA funds for new affordable rental housing construction, rehabilitation, and preservation will mirror federal HOME income and monitoring requirements, unless otherwise permitted by a State eligible activity
- ✓ County will retain PLHA administrative funds

### **Performance Measure:**

Annual Reports will be provided by the County to State HCD on behalf of the Consortium pursuant to HSC Section 50470(b)(2)(B)(ii)(III). These reports will be filed annually by July 31<sup>st</sup> for the term of the Standard Agreement with State HCD. The Consortium Cities will sign a statement acknowledging review and agreement with the representations made in the report. The Annual Report shall document the uses and expenditures of all awarded allocations. This report must be signed by both the jurisdiction's PLHA administrator and the jurisdiction's Chief Financial Officer, which such authority is included in the County PLHA Resolution (Attachment A). The Annual Report must describe any proposed amendment(s) to the approved Activity and schedule.

### **Contract Renewals and Performance Outcomes:**

The terms of the Consortium Agreements between the County of Santa Barbara and Cities of Goleta and Santa Maria begin the date that the County makes the initial PLHA application to the State. The agreements include the initial five-year qualification period, which is FFY 2019, 2020, 2021 2022, and 2023.

The Agreements automatically renew to a new 5-year term until/unless the Cities or County provides a notice of termination.

### **Fiscal Analysis:**

A Local government that receives an allocation (or multiple local governments that receive allocations as a part of a joint application) shall use no more than 5 percent of the PLHA allocations (\$69,863 for year 2019 and \$419,182 over five years) for costs related to the administration of the Activities for which the allocations were made. Staff and overhead costs directly related to carrying out the eligible activities described in this Board Letter are "activity costs" and not subject to the cap on "administrative costs." Pursuant to the Consortium Agreements, the County, as the Administering Jurisdiction, will

retain 5 percent of the Consortium funds to cover the costs to administer the PLHA program on behalf of the Consortium.

**Attachments:**

- A. County PLHA Resolution
- B. Consortium Agreement and Resolution with the City of Goleta
- C. Consortium Agreement and Resolution with the City of Santa Maria
- D. 5 Year PLHA Allocation Plan
- E. List of all PLHA Eligible Activities