



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: January 26, 2021
Placement: Administrative
Estimated Tme: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department George Chapjian, Community Services Director (805) 568-2467
Director(s)
Contact Info: Dinah Lockhart, Deputy Director (805) 568-3523

SUBJECT: Approve and execute a First Amendment adding additional funds to the California Homeless Emergency Aid Program (HEAP) Loan to Good Samaritan Shelter (GSS) for Permanent Supportive Housing for persons experiencing homelessness (Supervisory District 4)

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Approve and authorize the Chair of the Board to execute an original and duplicate originals of the following documents, which adds up to Three Hundred Thousand Dollars (\$300,000) to the previously approved One Hundred Ninety-Six Thousand, One Hundred Forty-Eight Dollars (\$196,148) loan for acquisition and construction of two (2) Tiny-Homes for permanent housing, located on the property at 203 North N Street, Lompoc, (the "Property") for four to six previously homeless persons.
 - a. First Amendment to County HEAP Loan Agreement (Attachment A), increasing the total amount of HEAP funds specified for the Project by up to \$300,000, contingent on amount of HEAP interest earned by COUNTY, to the County HEAP Loan Agreement; and
 - b. County Deed of Trust, Assignment of Rents, and Security Agreement (Attachment B), securing the amended \$496,148 loan amount; and
 - c. Substitution of Trustee and Deed of Full Reconveyance (Attachment C), releasing the Deed of Trust for the original \$196,168 loan amount; and

- d. County HEAP Regulatory Agreement (Attachment D), replacing the Regulatory Agreement for the original \$196,148 loan amount; and
 - e. County HEAP Loan Promissory Note (Attachment E), replacing the Promissory Note for the original \$196,148 loan amount.
- B. Determine that recommended actions are exempt under the California Environmental Quality Act (CEQA) pursuant to section 15301 of the CEQA Guidelines, because they consist of minor alterations of an existing private structure and involves negligible or no expansion of existing or former use.

Summary Text:

The State awarded the Santa Maria/Santa Barbara County Continuum of Care (CoC) \$9.385 million in Homeless Emergency Aid Program funds in December 2018. The lump sum of HEAP funds disbursed by the State is being held in County treasury and is earning interest. All program funds, including interest earned, must be expended by June 30, 2021.

On August 13, 2019 the Board of Supervisors executed an Agreement with Good Samaritan Shelter awarding \$196,148 of Homeless Emergency Aid Program (“HEAP”) funds to construct two, two-bedroom two-bath, tiny home units (“Project”) at 203 North N. Street in Lompoc, California (“Property”). The homes will be located on the same Property adjacent to Good Samaritan Shelter’s existing Marks House. Due to unanticipated construction costs, the project requires additional funding for completion. On August 6, 2020, the Santa Maria/Santa Barbara CoC Board approved the use of accrued HEAP interest for Good Samaritan Shelters’ Marks House Tiny Homes Project in the up to amount of \$300,000. The Board is being asked to approve an increase to the existing loan for an amount up to an additional \$300,000, the actual amount of which is contingent on the amount of HEAP interest earned by COUNTY for a total loan to Good Samaritan of \$496,148. In the course of permitting the property for the project, it was found that the construction of multiple accessory dwelling units (ADU) had requirements for drainage, landscaping, parking, and other considerations resulting in a deficiency of up to \$300,00 that were not included in the original budget. The recommended actions would add up to \$300,000, contingent on amount of HEAP interest earned by COUNTY, to the HEAP loan agreement, and reflect this change in the Deed of Trust and Regulatory Agreement recorded against the Property.

Background:

The 2018 California state budget provided significant funding to address homelessness, including \$500 million in Homeless Emergency Aid Program (HEAP) Block Grants. Senate Bill 850 established the HEAP program as a flexible block grant to Continuums of Care to address immediate homelessness challenges. HEAP funds were distributed based on the numbers of homeless persons residing in a CoC’s geographic area as represented by the 2017 Point in Time Count. The County accepted the role of Lead Agency for the Santa Maria/Santa Barbara County CoC in March 2018, and is the ‘Administrative Entity’ (AE) for the HEAP program. As lead agency and AE, the County’s role includes: 1) issuing the NOFA (Notice of Funding Availability), 2) verifying projects met basic threshold criteria, 3) training Rank and Review (R&R) members, 4) providing staff support to meetings of the CoC R&R Committee and CoC Board, and 5) administering the grants. The County is required to demonstrate a collaborative process for funding decisions. The CoC Board established local priorities for HEAP funding on August 28, 2018.

On October 12, 2018, Community Services Department/ Housing and Community Development Division (CSD/HCD) released a “Super NOFA”, which included program descriptions, guidelines, and application

deadlines for multiple funding sources administered either directly by CSD/HCD, or in cooperation with other departments, such as Behavioral Wellness, Probation, and the regional Santa Maria/Santa Barbara County CoC. The CoC established the R&R Committee process to review applications and make funding recommendations to the CoC Board based on the process outlined in the CoC Governance Charter. The CoC R&R Committee met on November 28, 2018 to review HEAP funding applications and make funding recommendations. The R&R Committee had the difficult task of allocating \$8.9 million in HEAP funding in response to over \$36 million in capital, rental assistance and services funding requests. A common theme discussed during R&R Committee deliberations was the one-time nature of HEAP funding. The R&R Committee scored projects based on applicant capacity, project design, addressing local priorities, performance, need and collaboration. The CoC Board approved the funding recommendations of the R&R Committee without changes on November 29, 2018.

Based on the recommendations of the CoC, CSD/HSD staff submitted an application to the State of California for HEAP funds. On December 20, 2018 the State of California announced that the County had been awarded \$9,385,185 in HEAP funding on behalf of the CoC. Five (5%) percent of program funds (\$469,259) was retained by the County and used for administrative costs. The remaining \$8,915,926 was distributed to local non-profits to conduct eligible HEAP activities based on the recommendations of the CoC R&R Committee, the concurrence of the Santa Maria/Santa Barbara County CoC Board, and the approval of the Board of Supervisors. The County was awarded HEAP funds in a lump sum from the State. HEAP funds were deposited with County treasury where they have been earning interest that is subject to all of the same terms and conditions as the original HEAP funds.

Performance Measure:

Pursuant to that certain December 2018 Agreement between the State and County and related HEAP NOFA, the County is responsible for monitoring HEAP projects to ensure that all HEAP funds, including interest earned, are expended by June 30, 2021. The County is also responsible for documenting the number of individuals experiencing homelessness or at imminent risk of homelessness served by the program funds. Increased service capacity, decreased unsheltered homeless persons and any increase in the number of homeless persons entering permanent housing attributable to the Project would be incorporated into this annual report.

The recommended actions of obligating HEAP earned interest in the amount of up to \$300,000 for the Project budget would not change the Project's performance measures.

Key Contract Risk:

The County assumes responsibility for the administration of HEAP in accordance with all state requirements governing their use. In addition, it would be held liable if it or any provider to which it sub-grants funds is found to be non-compliant with applicable requirements.

The HEAP Loan Documents are a cost-reimbursement contract. This allows CSD/HCD to disburse state funds to the aforementioned HEAP Program Sub-recipient for eligible incurred costs to the extent prescribed by the Agreement. The County will only reimburse HEAP Program Sub-recipients for costs that are eligible under the Loan Documents and documented in a manner that is acceptable to the CSD/HCD. CSD/HCD staff will assess the performance of the HEAP sub-recipients to determine if the services provided are adequate and as outline in the Agreement. The HEAP loan regulatory agreement requires the County monitor the property's compliance for fifteen (15) years. If at any point during the 15-year term the Project does not comply with the requirements of the Loan Agreement or Regulatory

Agreement, the County may accelerate repayment of its loan, plus 3% simple annual interest. Examples of such requirements include maximum rent, tenant income limits, annual reporting to the County, property management and maintenance. Alternatively, if the Project remains in compliance with the terms of the Loan Documents, the County's loan will be forgiven after 15-years.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State			\$300,000
Federal			
Fees			
Other:			
Total	\$ -	\$ -	\$300,000

Staffing Impacts:

The current requested activity falls within currently budgeted staff duties.

Special Instructions:

- 1) Please return two sets of the executed original documents (except that there is only 1 original Promissory Note and HCD will accept a copy) and a copy of the Minute Order to Roc Lowry. Please email or call when ready for pick up: rlowry@co.santa-barbara.ca.us Ext. 83519.
- 2) Please retain one set of the executed original documents (including the Promissory Note) listed below for COB records.

Attachments:

- A. GSS First Amendment to HEAP Loan Agreement
- B. County Deed of Trust, Assignment of Rents, and Security Agreement
- C. Substitution of Trustee and Deed of Full Reconveyance
- D. County Regulatory Agreement
- E. County HEAP Loan Promissory Note