



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: August 22, 2023
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department George Chapjian, Community Services, (805) 568-2467
Director
Contact Info: Laurie Baker, Housing and Programs Manager, (805) 568-3521
Kimberlee Albers, Homeless Programs Manager (805) 560-1090
SUBJECT: Sanctuary Centers' Hollister II Affordable Housing Development, 115 West Anapamu Street, City of Santa Barbara (Project), Approval of Loan Documents, Security Instruments. 1st Supervisorial District

County Counsel Concurrence

As to form: Yes

Other Concurrence:

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A) Approve a Permanent Local Housing Allocation (PLHA) loan by the County to Sanctuary Centers of Santa Barbara, Inc. (Sanctuary Centers) in the principal amount of \$1,400,000 (County PLHA Loan) for the purpose of developing the Project;
- B) Approve a PLHA Promissory Note (Attachment A), PLHA Loan Agreement (Attachment B), PLHA Deed of Trust (Attachment C), and PLHA Regulatory Agreement and Declaration of Restrictive Covenants (Attachment D); collectively, the "County PLHA Loan Documents";
- C) Authorize the Chair of the Board to execute the PLHA Loan Agreement (Attachment B) and PLHA Regulatory Agreement and Declaration of Restrictive Covenants (Attachment D);
- D) Find that the Project is exempt from California Environmental Quality Act (CEQA) requirements pursuant to CEQA Section 15332, and pursuant to the City of Santa Barbara December 4, 2020 Notice of Exemption filing (Attachment E).

Summary Text:

This item is on the Board agenda for approval of a \$1,400,000 loan using state Permanent Local Housing Allocation (PLHA) funds to Sanctuary Centers. The Project is located at 115 W. Anapamu Street in the City of Santa Barbara and will include 34 studio apartment units. Three units will be reserved under the County's PLHA loan for occupancy by persons experiencing homelessness or at-risk of becoming homeless (Qualified Households). The County PLHA Loan will be for a fifty-five year term, with "0" interest, and forgivable if compliant with the loan documents terms and conditions during this timeframe.

In prior Board action, on December 13, 2022, the Board approved and executed County loan documents evidencing a loan by the County Community Corrections Partnership (CCP) funds to Sanctuary Centers for the Project, which restricts an additional sixteen (16) units in the Project for occupancy by households that are homeless and referred by the Santa Barbara County Probation Department. Approval and execution of the County PLHA Loan Documents is the subject of today's Recommended Board Action as the Project is nearly ready to commence construction. The County PLHA Loan Documents will ensure the affordability for the 3 PLHA units for 30-years.

Background:

PLHA and Project Descriptions

The PLHA Consortium consists of the County as lead agency and the participating cities of Santa Maria, Goleta, Carpinteria, Buellton and Solvang. The County receives an annual allocation of these State funds as a permanent source for affordable housing development and related activities. Proceeds are derived from recordation fees of certain real estate transactions, and pursuant to the September 2017 State Senate Bill (SB2), also referred to as the Building Homes and Jobs Act. On December 6, 2022, PLHA Consortium members met and agreed to provide County PLHA funds to the Project resulting from the fact that, although located in the City of Santa Barbara, the Project will serve qualifying households from throughout Santa Barbara County by referral from Behavioral Wellness and Probation.

The Project, located at 115 West Anapamu Street, will be included in new construction of a five-story, 30,948 square-foot, mixed-use building, to include thirty-four (34) affordable residential studio apartments averaging 450 square feet per unit. Non-residential construction on the Project site, which will not be funded with County PLHA Loan or County CCP Loan, encompasses new construction of a 6,600 square-foot, below-ground new supportive service space for a Co-Occurring Disorders Center and Integrated Care Clinic, offices, and meeting rooms to provide mental health and support services for residents of the Project and the community-at-large (Commercial Construction). An existing eight-unit affordable apartment development on the Project site currently managed and operated by Sanctuary Centers will remain in place. Two one-story bungalows on the Project site will be demolished to accommodate the new Project construction.

The Project is subject to the State of California Density Bonus Law pursuant to Government Code § 65915, the Housing Accountability Act (Government Code § 65589.5), and the Supportive Housing Act (Government Code § 65650 et seq.). Accordingly, the Project received the following concessions from City development standards: 1) to provide one nonresidential parking space, rather than 16; 2) to provide

four bicycle parking spaces, rather than 48; and 3) an allocation of 10,928 square feet of new nonresidential floor area.

Construction Schedule

Construction is anticipated to begin in summer of 2023. As the construction involves significant site excavation—twenty feet below ground—to accommodate the Commercial Construction, a 24-month site construction schedule is proposed. Therefore, the estimated Project completion date is June 2025.

Construction Budget

Total costs for site development are \$26,362,370, comprised of \$4,519,134 for development of the commercial space and \$21,843,236 to construct the residential Project. The Project residential funding sources are set forth in Table 1, below.

Table 1: Sanctuary Center Hollister II Sources

Funding Sources:

| | |
|---|---------------------|
| First Republic Bank Perm Loan | \$ 2,308,495 |
| First Republic Bank Const. Loan | \$ 4,350,700 |
| State DSS Community Care Expansion | \$ 7,000,000 |
| Public Safety Realignment Reserve Funds (CCP) | \$ 1,500,000 |
| County PLHA | \$ 1,400,000 |
| <u>Sanctuary Cash/Philanthropic Contributions</u> | <u>\$ 5,284,041</u> |
| TOTAL | \$ 21,843,236 |

A loan, in the amount of \$4,350,700 in County No Place Like Home (NPLH) funds allocated to the County by the State via Behavioral Health will be provided to the Project at the end of construction to pay down the construction loan to a permanent loan amount of \$2,308,495. A deed of trust securing No Place Like Home (NPLH) funds, along with subordination agreements subordinating the County PLHA and CCP loans to State NPLH and other State funds, will be executed at a future date. HCD staff will return to the Board at the end of construction and occupancy for Board approval of the required subordination agreements (likely around November 2025).

Performance Measure:

The Project will be monitored by HCD staff for compliance with the terms and conditions of the County PLHA Loan Documents, including but not limited to the provision of three (3) County PLHA-restricted units, and sixteen (16) CCP-restricted units (collectively, the “County-Assisted Units”) for the required thirty-year period of affordability, and the County PLHA Loan and required repayments will be monitored for the duration of the term of the County PLHA Loan. HCD monitoring will include an annual review of the financial statements of Sanctuary Centers and the Project, the roster of County-Assisted Units indicating the number and location of the County-Assisted Units, occupancy by Qualified Households, and maximum rents, as defined in the Regulatory Agreement. At least once every three years, a Project site visit will be conducted by HCD staff to inspect the Project, including the County-Assisted Units, for consistency with HUD’s Housing Quality Standards and any other standard(s) that may be adopted by

HUD in the future, and Project tenant files will be reviewed for compliance with occupancy and rent requirements.

Fiscal and Facilities Impacts:

N/A

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 | | | |
| Federal | | | |
| Fees | | | |
| County PLHA | | | \$ 1,400,000.00 |
| Total | \$ - | \$ - | \$ 1,400,000.00 |

Key Contract Risks:

HCD has evaluated the risks associated with the Project, the County PLHA Loan Documents, and has determined that such risks are reasonable and within industry standards, and that adequate safeguards are in place to prevent and/or mitigate risks. The Project has been fully vetted and underwritten by First Republic Bank, the Project construction and permanent loan lender.

Staff has reviewed the Project financial pro-forma and assumptions and determined that the Project costs are reasonable and within acceptable underwriting standards and that the Project will generate sufficient cash flow to insure ongoing financial feasibility.

Staffing Impacts: The commitment of the County affordable housing funds to the Project will necessitate regulatory monitoring by County staff for a minimum of 30 years. The terms of the County PLHA Loan require Sanctuary Centers to pay an annual Affordable Housing Monitoring fee to the County, currently set at \$2,500, and escalating at 3% annually.

Special Instructions:

1. Please retain the original PLHA Promissory Note (Attachment A) in COB files and ***email* a copy*** to cjimenez@countyofsb.org.
2. Please have the Board Chair execute one original PLHA Loan Agreement (Attachment B); retain the original in COB files and ***email* a copy*** to cjimenez@countyofsb.org.
3. Please ***return the original*** of the PLHA Deed of Trust (Attachment C) to Carlos Jimenez for recording in the County’s Real Estate/Official records. Please email or call when ready for pick up: (805) 568-3529 cjimenez@countyofsb.org. The original will be returned to COB for their records following recording.
4. Please have the Board Chair execute one original PLHA Regulatory Agreement (Attachment D) and ***return the original*** to Carlos Jimenez for recording in the County’s Real Estate/Official records. Please email or call when ready for pick up: (805) 568-3529 cjimenez@countyofsb.org. The original will be returned to COB for their records following recording.
5. Please email* a copy of the Minute Order to cjimenez@countyofsb.org.

Attachments:

Attachment A: County PLHA Promissory Note

Attachment B: County PLHA Loan Agreement

Attachment C: County PLHA Deed of Trust

Attachment D: County PLHA Regulatory Agreement

Attachment E: City of Santa Barbara CEQA Notice of Exemption

Authored by: Carlos Jimenez, Senior Housing Program Specialist