



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: February 21, 2012
Placement: Departmental
Estimated Tme: 45 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Herman Parker, Community Services Director (805) 568-2467
Director(s)
Contact Info: Sharon Friedrichsen, Deputy Director (805) 568-3520
SUBJECT: Update and Action Regarding Lompoc Housing and Community
Development Corporation's Properties, Including Bridgehouse Shelter

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions: That the Board of Supervisors recommends:

- A. County not accept a deed-in-lieu of foreclosure offered by the Lompoc Housing and Community Development Corporation for the acquisition of the Bridgehouse Shelter;
- B. Direct the County Executive Officer to work with the community and partner agencies to identify viable options to address homeless services within the Lompoc area;
- C. Approve funding to Good Samaritan Shelters for homeless services at Marks House; and
- D. Receive an update on the status of other Lompoc Housing and Community Development Corporation (LHCDC) properties, including affordable housing units.

Summary Text:

On November 1, 2011, your Board received a report on the Lompoc Housing and Community Development Corporation (LHCDC), a California non-profit public benefit corporation that developed and managed affordable housing within Lompoc. LHCDC also owned and operated Marks House transitional housing within the City of Lompoc and the Bridgehouse Shelter within the unincorporated area of the County, east of the City of Lompoc. Since November, LHCDC has continued to pursue dissolution as a corporation, including the transfer of its real estate assets to one or more entities. The purpose of this Board item is to consider the provision of homeless services in the Lompoc area, including the consideration of a deed-in-lieu of foreclosure from LHCDC to the County for the Bridgehouse Shelter; providing direction to the County Executive Officer to work with the community and partner agencies to identify viable options to address homeless services; and the consideration of

funding for Marks House. This item also provides an update on the status of other LHCDC properties, including affordable housing units.

Background:

A. County not accept a deed-in-lieu of foreclosure from the Lompoc Housing and Community Development Corporation for the acquisition of Bridgehouse Shelter

B. Direct the County Executive Officer to work with the community and partner agencies to identify viable options to address homeless services within the Lompoc area.

LHCDC currently owns a 56 bed facility that serves as a homeless shelter and transitional housing known as Bridgehouse, located on nearly eleven acres of land on Sweeney Road in the unincorporated area of Santa Barbara County, just outside the Lompoc City limits. LHCDC acquired Bridgehouse in 2001 to operate as an emergency homeless shelter and transitional housing for men, women and children. On January 17, 2012, LHCDC ceased operating Bridgehouse. On average, there were between 15-25 clients per night at Bridgehouse prior to its closure.

In a resolution passed by the LHCDC Board of Directors on January 17, 2012, LHCDC offered to transfer ownership of the Bridgehouse property to the County through a deed-in-lieu of foreclosure, whereby the County would forgive the debt owed by LHCDC in exchange for ownership of the property. To assess for the potential acquisition of Bridgehouse, a home inspection, an environmental assessment and an independent letter of appraisal have been completed, indicating no major environmental or structural problems with the property. On January 25, 2012, the County's Planning Commission determined that the acquisition of the Bridgehouse Shelter property by the County is consistent with the County's Comprehensive Plan.

An appraisal of the Bridgehouse Shelter property estimated the market value of the property, as a public use and housing and rehabilitation facility without any liens, leases or encumbrances on title, at \$1,500,000. However, the property is subject to the following loans and/or restrictions:

- Grant of \$150,000 in Supportive Housing Program funds from the US Department of Housing and Urban Development (HUD) that requires Bridgehouse to remain a shelter for twenty years (until March 2022). Under the terms of this Agreement, HUD can require repayment of this \$150,000 if the property ceases to be used as a shelter. Since this potential repayment obligation is contained in an agreement between the County and HUD, it is binding on the County whether or not the County takes ownership of the Bridgehouse property.
- Loan of \$274,900 with the State Department of Housing and Community Development, Emergency Housing and Assistance Program that requires Bridgehouse to remain a shelter for ten years (until March 2013) or the Loan must be repaid to the State. Transfer of the Bridgehouse property requires State approval. The County is not a party to this agreement and would only become liable for the \$274,900 repayment to the State if it accepted transfer of the property.
- Loan of \$593,500 from the County (\$131,000 in lieu funds and \$462,500 Community Development Block grant) and a related regulatory agreement that requires Bridgehouse to be owned by a not-for-profit organization and operated as shelter for 60 years (until June 2061). The County has the ability to forgive the loan and rescind the regulatory agreement. However, if no other entity acquires the property, the County will not be repaid the funds unless it initiates foreclosure.

On January 17, 2012, the Community Services Department issued a Request for Proposals (RFP) to identify potential interim shelter service providers to operate an existing shelter facility for homeless persons, with a response deadline of January 26, 2012. The County received one proposal, which was submitted by Good Samaritan Shelter. Good Samaritan's proposal would operate the Bridgehouse Shelter from 4 pm - 8 am, 365 days a year, and assumes utilizing the 56 beds capacity of the facility. The organization's proposed annual budget is \$242,000. In addition, it is estimated to cost approximately \$15,000 a year for landscape maintenance for a total annual cost of \$257,000.

The County anticipates that approximately \$75,000 annually will be available in federal and local revenues for fiscal years 2011-12 and 2012-13 to operate the shelter. These funds are competitive and are subject to Board of Supervisors' approval and include local Human Services and General Fund Shelter funds for the Lompoc area and federal emergency shelter grants (ESG) from the US Department of Housing and Urban Development (HUD) to Bridgehouse as part of the County's 2010-11 and 2011-12 Action Plans. Federal funding to operate Bridgehouse in Fiscal Year 2012-13 would be contingent on the receipt of funds through a competitive process and approval by the Board of Supervisors while any allocation of General Fund monies would be subject to Board approval during the annual County budget process.

If the Board should decide not to accept the deed-in-lieu of foreclosure for the Bridgehouse Shelter, then the County would not have site control and the Bridgehouse Shelter would continue to be owned by LHCDC. The County's regulatory agreement with LHCDC does require that LHCDC continue to operate Bridgehouse as a shelter. However, given LHCDC's fiscal situation, it is unlikely that the County would be successful in trying to judicially enforce this requirement.

The County has a role in addressing homeless issues throughout out the county, including within the Lompoc area. Multiple County departments provide a variety of safety net and supportive services such as public health, mental health and social services to individuals and families in need, including those that are homeless or at risk of being homeless. As the recipient of various federal and state funds related to homeless services, public services and housing (emergency shelters, transitional housing and permanent affordable housing), the County is responsible for securing, allocating and managing funds on behalf of community partners. In this role, the County supports community programming of services through the administration of grants and partners with various entities including cities, housing authorities, non-profit organizations and faith-based organizations to identify and fund community needs. Owning and operating affordable housing, including emergency shelters, is not the County's core competency. As the Board considers whether to acquire the Bridgehouse Shelter, it may also consider directing the County Executive Officer to continue to work with community and partner agencies to address a comprehensive approach to homelessness in Lompoc, including identifying viable short-term and long-term options. Such an approach could include determining client needs, evaluating shelter needs and locations and determining possible funding sources with local partners.

C. Approve funding to Good Samaritan Shelters for homeless services at Marks House.

On January 17, 2012, the City of Lompoc accepted a deed in-lieu of foreclosure for Marks House, a 19 bed transitional shelter serving homeless families with children, located within the City of Lompoc at 203 North N Street, after LHCDC ceased operating this facility. The City Council approved Good Samaritan Shelter as the interim provider and has allocated \$20,000 for six months of operations of Marks House (estimated annual operating budget of \$90,000).

The County reserved \$16,000 in local and federal funds for Marks House Shelter that may be used in fiscal year 2011-12, including \$4,000 in Human Services funds and \$12,000 in federal emergency shelter grants (ESG), as outlined within the County's adopted 2010 and 2011 Action Plans submitted to the US Department of Housing and Urban Development (HUD). Release of these funds was conditioned on either a workout plan for LHCDC or the selection of a new operator and no funds have been released to date. Now that the City of Lompoc has taken ownership of the Marks House property and selected Good Samaritan to operate it, staff recommends that the County enter into contract with Good Samaritan to utilize the ESG and Human Service Commission funds designated for this facility. ESG regulations require the recipient to either be the County or a non-profit organization while Human Services funds also are provided to non-profit organizations.

D. Receive an update on the status of other Lompoc Housing and Community Development Corporation (LHCDC) properties, including affordable housing units.

As previously reported on November 1, 2011, six affordable housing projects, providing 54 units are under Court imposed receivership as part of a judicial foreclosure action filed by Pacific Western Bank. Under the receivership, these properties are being managed by a receiver and property management firm which oversee repairs and to collect rent. In addition, the Southern Court Apartment is in judicial foreclosure by Citibank. The \$75,000 loan of HOME funds was made directly by the City of Lompoc, so the County does not have a deed of trust on this property. The required HOME affordability period on Southern Court has expired so there is no potential repayment obligation to HUD. The County received federal funding from the US Department of Housing and Urban Development (HUD) for the HOME Investment Partnership Program (HOME) to create affordable housing for low income households. As set forth under the HOME Program, the County may be liable to repay HUD the HOME funds that were used to finance projects if they do not remain income restricted for a designated time. Each of these projects and the potential for repayment requirements by the County is noted below:

- North K Street (328-330 North K Street): Potential repayment of \$598,599; affordability expires in March 2027
- Casa Con Trees (434-438 North L Street): Potential repayment of \$326,335; affordability expires in May 2017
- T Street & College (521-537 North T Street): Potential repayment of \$227,000; affordability expires in March 2012
- Courtyard (725-733 North E Street): No repayment obligation; affordability expired in July 2011
- Portobello (305-309 North K Street): No repayment obligation; affordability expired in September 2009
- Courtyard South (717-721 North N Street): No repayment obligation; affordability expired in January 2009
- Southern Courtyard (709-713 North E Street): No repayment obligation; affordability expired in September 2009

One private lender is in first position on two properties where the County is in the second lien position due to its loans of federal HOME funds and mental health funds respectively. These units are still being operated.

- Gianni Apartments (733 North C Street): 22 units funded by HOME, County potential repayment of \$400,000. Affordability period expires in January 2014.
- Arn Apartments (501-217 North T Street): 20 units funded with mental health funds.

Fiscal and Facilities Impacts:

Fiscal Analysis:

If the Board decides not to accept the deed-in-lieu of foreclosure for Bridgehouse, it has a potential repayment of \$150,000 to the US Department of Housing and Urban Development (HUD). The County received this grant from HUD for acquisition of the shelter, which stipulates that the facility operate as shelter for 20 years, or until March 2022. There is also a State loan of \$274,900 to LHCDL that requires Bridgehouse to remain a shelter for ten years, or until March 2013. The County would not be liable for the \$274,900 repayment to the State as the County is not a party to that agreement and would only become liable if it accepted transfer of the property. The County provided loans to LHCDL for Bridgehouse totaling \$593,500 from local (\$131,000 in lieu funds) and CDBG (\$462,500) funds. It also is the beneficiary of a regulatory agreement that requires the property be operated as a shelter until 2061. The County has the ability to forgive the loan and rescind the regulatory agreement. If the County does not accept the Bridgehouse property, it does not assume any ongoing costs for operating the shelter.

If the Board decides to accept the deed-in-lieu of foreclosure for Bridgehouse, the County still has a potential repayment of \$150,000 to HUD unless Bridgehouse operates as shelter until March 2022. The County would assume all loans and restrictions on the property, including a State loan of \$274,900 that requires the facility to be operated as a shelter until March 2013. If the County continued to operate the facility on a year round basis the response to the RFP indicates that the cost of such operation would be approximately \$257,000 per year (\$242,000 for operations and \$15,000 for outside maintenance of the property/landscaping).

Staffing Impacts:

There is no staffing impact if the Board decides not to accept the deed-in-lieu of foreclosure for Bridgehouse. Should the Board decide to accept the deed-in-lieu of foreclosure, it may enter into contract with an agency to operate the shelter and staffing of the shelter would be provided by a nonprofit organization.

Attachments:

cc:

Michael Ghizzoni, Chief County Counsel
Mary McMaster, Deputy County Counsel
Bob Geis, Auditor-Controller