



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.:** 055  
**For Agenda Of:** March 10, 2020  
**Placement:** Administrative  
**Estimated Time:** N/A  
**Continued Item:** No  
**If Yes, date from:** N/A  
**Vote Required:** Majority

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**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:** Execution of State of California Homeless Emergency Aid Program (HEAP)  
Loan Documents for \$500,00 loan in State HEAP funds to the Heath House  
acquisition-rehab project in Santa Barbara (Supervisory District 1)

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**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 of Supervisors to execute an original and duplicate originals of the following documents which relate to a Five Hundred Thousand Dollar (\$500,000) loan for acquisition and renovation of 18 East Sola Street, Santa Barbara, California (the "Property") for seven (7) permanent supportive housing units:
  - i) County HEAP Loan Agreement (Attachment A);
  - ii) County HEAP Loan Promissory Note (Attachment B);
  - iii) County Deed of Trust, Assignment of Rents, and Security Agreement (Attachment C); and
  - iv) County HEAP Regulatory Agreement (Attachment D) (together, the County HEAP Loan Documents); and
- b) Approve, ratify and authorize the Chair of the Board to execute a subordination agreement (Attachment E) subordinating the County's HEAP Loan to a bridge loan from the Santa Barbara Housing Trust Fund, in an amount not to exceed \$375,000;
- c) Approve, ratify and authorize the Chair of the Board to execute a subordination agreement (Attachment F) subordinating the County's HEAP Loan to an existing loan by the State of

California Department of Housing and Community Development, in the amount of \$535,017.79;  
and

- d) Determine that the recommended actions are exempt under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15301, as the action consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use, and direct staff to file the attached Notice of Exemption on that basis (Attachment G).

**Summary Text:**

Staff is requesting that the Board of Supervisors approve, ratify and authorize the Chair to execute the County HEAP Loan Documents. The Board is being asked to approve a \$500,000 forgivable loan (Attachment A) for the acquisition and renovation of the Property to house seven (7) homeless women (the “Project”). The house will be utilized to provide seven (7) permanent supportive housing units to homeless women. The seven units will be subject to income and rent restrictions at 30% AMI for the 15-year term of the County HEAP Regulatory Agreement.

The State awarded the Santa Maria/Santa Barbara County Continuum of Care (CoC) \$9.385 million in Homeless Emergency Aid Program funds. All program funds must be expended by June 30, 2021.

**Background:**

For FY 2019-2020, new State funding streams became available to the County to award under its customary approval processes. 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 are being distributed based on the numbers of homeless persons residing in CoC’s geographic area (Santa Barbara County) 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 roles are limited to issuing the NOFA (Notice of Funding Availability), verifying projects met basic threshold criteria, training the R&R members and facilitating the CoC R&R Committee meeting and approval of the CoC Board, and administering the grants. The CoC Board established local priorities for HEAP funding on August 28, 2018.

On October 12, 2018, 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 and the regional Santa Maria/Santa Barbara County CoC, including HEAP. The CoC established the R&R Committee 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 Wednesday, 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) will be retained by the County and used for administrative costs. The remaining \$8,915,926 is being 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. A summary of all of the HEAP funding recommendations is provided in Table 1:

**Table 1: HEAP Funding Recommendations**

| Applicant   | Project Title   | Service Area   | Total Award         |
|---|---|--|---------------------|
| *City of Santa Barbara                            | Santa Barbara Connect Home                              | South – Santa Barbara                                    | \$ 2,000,000        |
| *Domestic Violence Solutions                      | DVS Housing First Program                               | Countywide   | \$ 385,926          |
| *Fighting Back Santa Maria Valley                 | Santa Maria Homeless Youth Collaborative                | North – Guadalupe, Santa Maria, Orcutt, Los Alamos       | \$ 900,000          |
| *Good Samaritan Shelter                           | Homeless Housing Navigation Program                     | North- Buellton, Guadalupe, Lompoc, Santa Maria, Solvang | \$ 850,000          |
| *Housing Authority of the County of Santa Barbara | West Cox Apartments                                     | North – Santa Maria                                      | \$ 1,350,000        |
| *Northern Santa Barbara County United Way         | Home for Good   | Countywide   | \$ 550,000          |
| *PATH Santa Barbara                               | Lease Up SB!  | Countywide   | \$ 380,000          |
| **The Salvation Army                              | Multi-component, Countywide Approach to Homeless Crisis | South – Santa Barbara                                    | \$ 2,500,000        |
| <b>TOTAL</b>                                      |   |  | <b>\$ 8,915,926</b> |

\*Previously Approved by the Board of Supervisors

\*\* Covered by this Board Letter

In order to expedite these HEAP projects, CSD/HCD staff has brought agreements to the Board for approval as projects are ready to begin implementation.

On October 29, 2019 the Community Services Department/Housing and Community Development Division (CSD/HCD) was notified that the Salvation Army (SA) would relinquish its HEAP capital funding award for \$2.5 million due to the SA’s inability to complete its project in a timeframe consistent with HEAP grant requirements. In May 2019, the CoC board adopted rank and review policies to govern future funding opportunities, and outlined the process when supplemental project funding is available. The adopted process allows for the Competition Facilitator (CSD/HCD) to contact the unfunded applicant with the highest Review and Rank score and discuss whether project application, as submitted, could move forward successfully with the amount of funding available.

The revised plan being considered by the Board of Supervisors on March 10, 2020 for the County’s Multidisciplinary Approach to Housing the Most Vulnerable Program for \$2,500,000 HEAP funding includes the following:

- 1) Multi-Disciplinary Team Staffing and Flex Fund-\$1 million;
- 2) Overnight Parking Expansion - \$280,000;
- 3) Creation of a Navigation Respite Center on a to-be identified South County site - \$720,000; and
- 4) Acquisition-Rehab Project for Permanent Supportive Housing - \$500,000.\*\*

State HEAP regulations require that all funds must be spent by June 30, 2021 or be forfeited back to the State. As a result of the time limitation of seventeen months, Staff are asking for approval of the Project. This will ensure all funds are able to be drawn down within the time period.

*Heath House*

This Board Letter recommends the execution of the HEAP Loan Documents approving \$500,000 for acquisition of the existing seven (7) bedroom Property and necessary rehab thereof. Renovation of the Property includes replacing floors and roof shingles, repairing doors and windows, curing electrical code violations, sewer repairs, installing new light and ceiling fans, legalizing the existing upstairs kitchen/laundry room, mold abatement, landscaping, and other various improvements.

Table 2 shows the projected total costs for the Project.

|                             |                    |
|-----------------------------|--------------------|
| Acquisition                 | 705,383            |
| Escrow Fees                 | 15,000             |
| Due Diligence               | 15,000             |
| Architecture & Engineering  | 30,500             |
| Legal fees                  | 25,200             |
| Lender fees                 | 4,750              |
| Rehab                       | 607,920            |
| City Permit Fees            | 20,000             |
| Capitalized Service Reserve | 94,705             |
| Developer Fee               | 100,000            |
| <b>Total</b>                | <b>\$1,618,458</b> |

The Budget is included as Exhibit B in the HEAP Loan Agreement.

**Performance Measure:**

The County will enter into a loan agreement to allocate HEAP funds to the Project as discussed below. 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 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.

**Fiscal and Facilities Impacts:**

Budgeted: Yes

**Fiscal Analysis:**

| <b><u>Funding Sources</u></b> | <b><u>Current FY Cost:</u></b> | <b><u>Annualized On-going Cost:</u></b> | <b><u>Total One-Time Project Cost</u></b> |
|-------------------------------|--------------------------------|---|---|
| General Fund                  |                                |   |   |
| State                         | \$ 500,000.00                  |   | \$ 500,000.00                             |
| Federal                       |                                |   |   |
| Fees                          |                                |   |   |
| Other:                        |                                |   |   |
| <b>Total</b>                  | <b>\$ 500,000.00</b>           | <b>\$ -</b>                             | <b>\$ 500,000.00</b>                      |

These HEAP funds are currently available for distribution to eligible projects by the County.

**Key Contract Risks:**

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.

The County’s Loan will be subordinate to senior loans or grants from the Santa Barbara Housing Trust Fund and State of California Department of Housing and Community Development. In the event of foreclosure by a senior lender and sale of the Property, the senior loan will be repaid prior to the County’s HEAP Loan. If there are sufficient funds after payment of the senior lien(s), then the County’s Loan will be paid. The County’s Regulatory Agreement and Deed of Trust would survive foreclosure of a senior loan and ensure the continued affordability of the Project. The subordination agreements are attached as Attachments E and F.

HCD has evaluated the risks associated with the Project and determined that such risks are reasonable and within industry standards and that there are safeguards in place to prevent or mitigate risks. In addition, the senior lenders have fully vetted and underwritten the Project and determined that the Project costs are reasonable and within industry standards and that the Project will generate sufficient revenue to operate successfully.

**Staffing Impacts:**

The current requested activity falls within currently budgeted staff duties.

**Special Instructions:**

- 1) Please return one set 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 Ted Teyber. Please email or call when ready for pick up: [eteyber@co.santa-barbara.ca.us](mailto:eteyber@co.santa-barbara.ca.us) Ext. 3513.
- 2) Please retain one set of the executed original documents (including the Promissory Note) listed below for COB records.

This is a time-sensitive item with a March 16, 2020 scheduled closing date with First American Title. Please expedite the execution and delivery of the documents. Please call with questions or if additional information is needed.

**Attachments:**

- A. County HEAP Loan Agreement
- B. County HEAP Loan Promissory Note
- C. County Deed of Trust, Assignment of Rents, and Security Agreement
- D. County Regulatory Agreement
- E. HTF Subordination Agreement
- F. State HCD Subordination Agreement
- G. Notice of Exemption