



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;
Behavioral Wellness; &
General Services
Department No.: 055
For Agenda Of: 11/5/19
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 Director (805) 568-2485
Director(s) Dr. Alice Gleghorn, Behavioral Wellness Director (805) 681-4742
Janette Pell, General Services Director (805) 560-1011
Contact Info: Dinah Lockhart, Deputy Director HCD (805) 568-3523
Laurie Baker, Grants and Program Manager HCD (805) 568-3521
Laura Zeitz, Div. Chief Placement/PHF Admin, Behavioral
Wellness (805) 681-4943
Carlo Achdijian, Real Property Services Manager, General
Services (805)568-3081

**SUBJECT: Exclusive Right to Negotiate for Purchase of County-owned property on
Hollister Avenue with the Housing Authority of the County of Santa Barbara for
a No Place Like Home development project (Supervisory District 2)**

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Determine, in accordance with California Government Code §26227 and County Code §12A-10.3, that the "Hollister Lofts" project (Project) proposed by the Housing Authority of the County of Santa Barbara, a public body, corporate and politic_(Housing Authority), would serve the social needs of the population of the County, and that the portion of the property located at APN # 061-040-030 in the 4500 block of Hollister Avenue (Property), will not be needed for County purposes

- during the time of the Agreement discussed below, and therefore, that the Board may make the Property available to Housing Authority;
- B. Approve and authorize the Chair to execute the original and duplicate original Exclusive Negotiations Agreement (Agreement) between the County of Santa Barbara and the Housing Authority (Attachment A), which will grant the Housing Authority, for a period of three (3) years, exclusive rights to negotiate with the County in good faith for acquisition of the Property and thereby enable the Housing Authority to apply for State of California No Place Like Home (NPLH) competitive funds and other financing for the Project; and
 - C. Determine that the recommended actions are not the approval of a project that is subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15004(b)(4), finding that the actions consist only of a pre-approval or preliminary agreement that: conditions any further agreement on compliance with CEQA; does not bind any party or commit the County to any definite course of action prior to CEQA compliance; does not restrict the County or any lead or responsible agency from considering any feasible mitigation measures and alternatives, including the “no project” alternative; and does not restrict the County or any lead or responsible agency from denying the project, and direct staff to file a Notice of Exemption (Attachment B) on that basis.

Summary Text:

The Housing Authority of the County of Santa Barbara (Housing Authority) proposes to construct 33+/- rental units on property currently owned by the County located in the 4500 block of Hollister Avenue. Forty-nine percent (49%) of the units would be for homeless persons with a diagnosis of a chronic mental illness, and the balance of the units would be for homeless persons with incomes at or below 60% area median income (AMI). The Housing Authority plans to apply for competitive State of California Department of Housing and Community Development No Place Like Home (NPLH) funds to help finance development of the Project. The Round 2 NPLH Notice of Funding Availability was released on September 27, 2019 and the Housing Authority must submit an application before the January 8th deadline.

NPLH program regulations require that the Housing Authority demonstrate sufficient “site control” in order to qualify for NPLH funding. The program regulations provide that one of the ways of satisfying this “site control” requirement is with an agreement with the County that gives the Housing Authority “exclusive rights to negotiate with that agency for acquisition of the site, provided that the major terms of the acquisition have been agreed to by both parties.” (25 CCR 8303(a)(5)). The Agreement is designed to enable the Housing Authority to satisfy the “site control” requirement for NPLH financing. If the Board approves the Agreement, the Housing Authority will have exclusive rights for three years to negotiate with the County in good faith for acquisition of the Property. The County will not be obligated to sell or grant the Property unless and until the parties have negotiated, executed and delivered mutually acceptable agreements. Any such agreement must be based upon information produced from the California Environmental Quality Act (CEQA) environmental review process and any other public review and hearing processes. The County will retain full discretion to deny the Project or shape the Project based on CEQA review, including considering and adopting mitigation measures and alternatives (including the “no project” alternative). The Agreement also requires that the Housing Authority satisfy certain conditions, including securing financing and any necessary land use and zoning approvals. Any acquisition/disposition agreement resulting from negotiations will become effective only if and after such agreement has been considered and approved by the County Board of Supervisors.

Background:

Section 26227

California Government Code §26227 allows the Board of Supervisors to fund programs deemed necessary to meet the social needs of the population of the County. The Board can also make available any real property of the County, which will not be needed for County purposes during the time of possession, to be used to carry out such programs. Therefore, if the Board of Supervisors determines that the activities performed by the Housing Authority are necessary to meet the social needs of the County and determines that the Property will not be needed for County purposes, the County may make the County-owned Property at APN # 061-040-030 in the 4500 block of Hollister Avenue available to the Housing Authority subject to such terms and conditions as are in the best interest of the County and the general public.

NPLH

On July 1, 2016, Governor Brown signed legislation enacting NPLH to dedicate up to \$2 billion in bond proceeds to invest in the development of permanent supportive housing for persons who are in need of mental health services and are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness. The bonds are repaid by funding from the Mental Health Services Act (MHSA). The State is allocating funds to counties on a competitive and non-competitive basis. Approximately \$245 million is available on a competitive basis to all medium-sized counties, which includes Santa Barbara County. Funding can be used for acquisition, construction, or rehabilitation of housing, and to subsidize extremely low rent levels over 20 years.

Due to the combination of capital and service based requirements, Behavioral Wellness (Be Well) has partnered with HCD on the vetting and approval process of projects seeking NPLH funds. On October 12, 2018, County HCD published a Notice of Funding Availability (NOFA) to solicit applications for grants and loans for affordable housing development and other capital projects, and for a variety of human services and homeless programs. The County's NOFA instructed developers wishing to apply for competitive or non-competitive NPLH funds to submit a Letter of Intent to apply by November 16, 2018. On November 16, 2018 the Housing Authority, in cooperation with the Santa Barbara Housing Assistance Corporation, submitted a Letter of Intent for the Project.

This Board Letter recommends approval of the Agreement to provide the Housing Authority with sufficient site control to submit an application for competitive NPLH funds to the State of California. The recommended action affords the Housing Authority an exclusive right to negotiate for purchase of the Property until November 2022. The Agreement (Attachment A) will provide the Housing Authority with sufficient time to secure development entitlements and required funding, including the NPLH competitive funds described above. The Agreement also provides that the negotiations may continue for an additional year if approved by the Board of Supervisors. If the Housing Authority meets these and other conditions of the Agreement (Attachment A) and the parties successfully negotiate the terms of a purchase agreement, staff will return to the Board for final approval.

The Hollister Lofts

The proposed Project is located at APN # 061-040-030 in the 4500 block of Hollister Avenue. While in preliminary design stages, the Project will consist of approximately 33 rental units, 49% of which would be NPLH units for persons with serious mental illness who are homeless, chronically homeless, or at-risk

of chronic homelessness. All other units will be restricted to formerly homeless persons with household incomes that are at or below 60% AMI. One manager's unit will not be subject to rent and income restrictions. Be Well will provide required services to project residents either onsite or at another easily accessible location.

The Housing Authority's proposed Hollister Lofts Project is supported by the departments of General Services, Community Services and Behavioral Wellness (Be Well). After securing site control from the County, the Housing Authority will apply to the State for competitive NPLH funds with Be Well as a co-applicant. The Housing Authority then will commence pre-development activities, including obtaining entitlements, performing feasibility studies, obtaining an appraisal of the site from an independent third party appraiser, and applying for other funding required to complete the Project, including low-income housing tax credits. At such time that the Project receives entitlement approvals, the Project will be reviewed by the County's Capital Loan Committee (CLC) for feasibility, based on review of the construction budget, funding sources, and projected 15-year operating proforma, and consideration of a recommendation of approval by the Board of Supervisors. Staff would return to the Board of Supervisors for approval of any negotiated purchase agreement with the Housing Authority for the Property. Staff would also return to the Board for approval of any County administered funds that may be proposed to help finance the Project, which may include execution of loan documents including Promissory Note, Deed of Trust and Regulatory Agreement to protect the County's interests. Potential funding sources include federal HOME funds and County In-Lieu affordable housing funds.

Total project cost is currently projected to be approximately \$18 million.

Performance Measure:

NPLH

NPLH is entering its second round of funding. The second competitive NPLH NOFA was released by the State of California Department of Housing and Community Development on September 27, 2019, announcing the availability of NPLH funds for medium-sized counties across the State, including the County of Santa Barbara.

Approval of the Exclusive Negotiation Agreement would enable the Housing Authority to apply for NPLH funding for the Project. If the State of California awards funding for the Project, the State will make a loan of NPLH funds to the Housing Authority and require the Housing to execute a regulatory agreement, security instrument, and other documents. The State will monitor the Project for property and loan compliance. Be Well will enter into service agreements with the Housing Authority to provide required services to Project tenants under the NPLH program. The following required services can be provided onsite or at another easily accessible location:

1. Case management;
2. Peer support activities;
3. Mental health care;
4. Substance use services;
5. Physical health care, including routine and preventive health and dental care, medication management, and wellness services;
6. Benefits counseling and advocacy; and
7. Basic housing retention skills.

If U.S. Department of Housing and Urban Development (HUD) funds administered by the County or County In-Lieu funds are invested in the Project, the Project will be monitored for rent and income limits for the duration of the affordability period, generally 20 years for new construction. Allocation of such funds would be brought before the Board at a later date.

Fiscal and Facilities Impacts:

Budgeted: N/A. As set-forth in Sections 1 and 3 of the Agreement (Attachment A), the recommended actions are not committing the County to any disposition of land nor is the County under any obligation to enter into any agreement that may result from the negotiations for purchase.

Fiscal Analysis:

N/A. If the Housing Authority meets the conditions of the Agreement within the three year term and successfully negotiate a mutually acceptable agreement, a future recommended Board Action may be to enter into a purchase agreement at fair market value, to be determined by a professional appraisal. An alternative potential recommended Board Action at that time may be to enter into a purchase agreement below fair market value. The Agreement recommended for approval in this Board Letter has no fiscal impact.

Key Contract Risks:

If conditions of the Agreement are met, including without limitation securing zoning entitlements and State grant of competitive NPLH funds, and if the parties successfully negotiate a mutually acceptable agreement, the Housing Authority may then purchase the Property. The State will enter into loan agreements with the Housing Authority for NPLH. The NPLH allocation shall be awarded as a post-construction, permanent loan underwritten and held by the State as lender. The loan shall have an initial term of 55 years, or longer if necessary to match the period of affordability restrictions under any tax credit program. Be Well will monitor the provision of services required by the NPLH program listed above for a minimum of twenty years, as will be outlined in its service agreements with the Housing Authority.

Staffing Impacts:

The current requested activity falls within currently budgeted staff duties.

Special Instructions:

1. Please return a copy of the signed Agreement (Attachment A) and a copy of the Minute Order to Ted Teyber. Call Ted at Ext. 3513 for pick up.
2. Please retain an executed original Agreement for COB records.

Attachments:

- A. Exclusive Right to Negotiate Agreement
- B. Notice of Exemption