



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:** General Services / Behavioral Wellness  
**Department No.:** 063 / 043  
**For Agenda Of:** September 13, 2022  
**Placement:** Administrative  
**Estimated Time:** N/A  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors  
**FROM:** Department Directors Antonette Navarro, Behavioral Wellness, (805) 681-5220  
Janette Pell, General Services, (805) 560-1011  
Contact Info: Chris Ribeiro, CFO, Behavioral Wellness, (805) 681-5220  
Skip Grey, Assistant Director, General Services (805) 568-3083  
**SUBJECT: Behavioral Wellness – Sanctuary Centers Amendment to Funding Agreement and Reconveyance of Deed of Trust for 115 W. Anapamu St., Santa Barbara; First District (RP File #004019)**

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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

**Other Concurrence:** General Services

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 Amendment to the Funding Agreement for Mental Health Housing Trust Funds between the County of Santa Barbara and Sanctuary Centers of Santa Barbara, Inc. (also known as “Sanctuary House of Santa Barbara, Inc.” or “Sanctuary Centers”);
- B. Approve and authorize the Chair to execute a Substitution of Trustee and Deed of Full Reconveyance, which will terminate the repayment obligation of a \$400,000 conditional grant and release the associated deed of trust recorded against the properties located at 115 West Anapamu Street (the “Property”) and 125 West Anapamu Street in the City of Santa Barbara (the 115 and 125 West Anapamu Street properties, collectively, the “Encumbered Properties”);
- C. Determine that the recommended actions are not the acceptance and approval of a project that is subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(4), finding that the actions are a creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment; and pursuant to CEQA Guidelines Section 15378(b)(5), finding that the actions

consist of organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

**Summary Text:**

This item is on the agenda to request the Board's approval and authorization to execute the Amendment to the Funding Agreement for Mental Health Housing Trust Funds (Attachment 1) and the Substitution of Trustee and Deed of Full Reconveyance (Attachment 2), both of which will terminate Sanctuary Centers' repayment obligation of a \$400,000 conditional grant. These actions will remove an encumbrance from the title of the Encumbered Properties and allow Sanctuary Centers to accept new grant funding from a non-County source to build a five-story affordable housing and mental-health care service facility on a nearby parcel. The Property will continue to be operated as a supervised independent-living residential complex for very-low and low-income persons within the County's mentally ill target population, and project occupancy and affordability requirements will remain in effect for at least the remainder of the 30-year contingent grant repayment obligation period, *i.e.*, through August 15, 2025.

**Background:**

On April 28, 1992, the Board of Supervisors authorized County staff to enter into negotiations with Sanctuary Centers to provide a one-time allocation of Mental Health Housing Trust Funds for the purchase of an existing apartment-type building in downtown Santa Barbara for conversion and operation as a supervised independent living complex for persons living with mental illness, under the following terms and conditions:

- 1) That the monies would be structured as a 30-year loan, but reduced yearly with satisfactory compliance such that after 30 years, the loan would be forgiven and funds treated as a grant award;
- 2) That the County would protect its equity interest in the Property by means of a secured note;
- 3) That the parties would enter into a mutual agreement to achieve items 1 and 2 above, "or some variation of these areas of concern;" and
- 4) That a minimum number of beds would be reserved for, and occupied by, clients referred by Santa Barbara County Mental Health Services for the duration of the 30-year contingent repayment obligation.

In April 1993, the County and Sanctuary Centers entered into a Funding Agreement for Mental Health Housing Trust Funds ("Funding Agreement") (Attachment 3), whereby the County agreed to provide Four Hundred Thousand Dollars (\$400,000) to Sanctuary Centers, conditioned upon Sanctuary Centers' commitment to operate the Property as a supervised independent-living residential complex for very-low and low-income persons within the County's mentally ill population, and to maintain project occupancy and affordability standards for a period of thirty (30) years following the date on which the grant deed transferring title to the Property to Sanctuary Centers ("Grant Deed") was recorded in the Official Records of Santa Barbara County. The Grant Deed was so recorded on August 16, 1995 ("Date of Recordation"), such that the 30-year project occupancy and affordability standards compliance period ("Contingent Repayment Period") is scheduled to expire on August 15, 2025.

The Funding Agreement structured the \$400,000 funding assistance as a grant ("Grant") subject to a 30-year contingent grant repayment obligation, represented by a promissory note secured by a Deed of Trust with Assignment of Rents ("DOT") (Attachment 4), and provided that the amount of the contingent repayment obligation would be reduced by five percent (5%) every year during the last twenty years of the Contingent Repayment Period. Accordingly, as of August 16, 2022, the amount of

the contingent repayment obligation has been reduced to Sixty Thousand Dollars (\$60,000), which is scheduled to be reduced by \$20,000 annually until the expiration of the Contingent Repayment Period on August 15, 2025, at which time the Grant is scheduled to become fully vested. The Funding Agreement also provides that enforcement of the contingent repayment obligation is a remedy to be elected in the County's discretion in order to achieve the objectives of the Funding Agreement, which are to provide affordable housing and services to the County's mentally ill population.

On January 20, 2022, Sanctuary Centers' President and CEO, Barry R. Schoer, sent a letter to the Santa Barbara County Department of Behavioral Wellness ("BeWell") asking the County to reconvey the DOT to Sanctuary Centers in order to remove the contingent grant repayment obligation encumbrance from the title to the Encumbered Properties, and thereby allow Sanctuary Centers to comply with the requirements of new grant funding for the construction of a nearby affordable housing and mental-health care service facility, scheduled to break ground in November 2022. BeWell is supportive of this proposal because the new construction project would expand affordable housing opportunities and services for adults dealing with mental illness and substance abuse issues in the Santa Barbara region, thereby furthering the stated objectives of the Funding Agreement, and the proposed Amendment to the Funding Agreement would accelerate vesting of the Grant while preserving project occupancy and affordability restrictions on the Property through August 15, 2025, ensuring that the Property continues to be used for the purposes articulated in the Funding Agreement for the duration of the agreed-upon 30-year period.

County staff therefore recommend that the Board direct the Chair to execute the *Amendment to the Funding Agreement* and the *Substitution of Trustee and Deed of Full Reconveyance*, effecting the requested reconveyance and maintaining project occupancy and affordability restrictions on the Property through August 15, 2025.

**Budgeted:**

None.

**Special Instructions:** After Board action, please distribute as follows:

1. Return the original Amendment to the Funding Agreement to Real Property/General Services, Attn: Susan Freebourn.
2. Return the original Substitution of Trustee and Deed of Full Reconveyance to Real Property/General Services, Attn: Susan Freebourn, for recordation.
3. Forward a copy of the Minute Order to: [sfreebourn@countyofsb.org](mailto:sfreebourn@countyofsb.org), [mejohanson@sbcbswell.org](mailto:mejohanson@sbcbswell.org) and [bwelcontractsstaff@co.sbcbswell.org](mailto:bwelcontractsstaff@co.sbcbswell.org)

**Attachments:**

- 1: Amendment to the Funding Agreement for Mental Health Housing Trust Funds
- 2: Substitution of Trustee and Deed of Full Reconveyance
- 3: Funding Agreement for Mental Health Housing Trust Funds
- 4: Deed of Trust with Assignment of Rents
- 5: CEQA NOE

**Authored by:** S. Freebourn