

Re

**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: Behavioral Wellness
Department No.: 043
For Agenda Of: January 23, 2024
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Antonette Navarro, LMFT, Director
Director(s) Department of Behavioral Wellness, 805-681-5220
Contact Info: Laura Zeitz, Assistant Director and Division Chief of Housing Placement/PHF
Department of Behavioral Wellness, 805-452-2760

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SUBJECT: California Department of Housing and Community Development (State HCD) and Sanctuary Centers of Santa Barbara, Inc. (Sanctuary) Standard Agreements for No Place Like Home (NPLH) Program Noncompetitive Allocation Round 3 and Competitive Allocation Round 4 Funds for Hollister II Project

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Approve and authorize the Director of the Department of Behavioral Wellness or designee to execute Standard Agreement **No. 20-NPLH-16259** (Attachment A) with the California Department of Housing and Community Development (State HCD) and Sanctuary Centers of Santa Barbara, Inc. (Sanctuary) for No Place Like Home program (NPLH) Noncompetitive Allocation Round 3 funds in the amount of **\$450,000** for the period beginning upon State HCD approval and ending 30 years from the effective date of the Agreement;
- B. Approve and authorize the Director of the Department of Behavioral Wellness or designee to execute Standard Agreement **No. 21-NPLH-17347** (Attachment B) with State HCD and Sanctuary for NPLH Competitive Allocation Round 4 funds in the amount of **\$6,959,564** for the period beginning upon State HCD approval and ending 30 years from the effective date of the Agreement;
- C. Approve and authorize the Director of the Department of Behavioral Wellness or designee to execute any subsequent amendments or modifications to the Agreements (**No. 20-NPLH-16259 and No. 21-NPLH-17347**), as well as any other documents which relate to the No Place Like Home (NPLH) program or NPLH program funds awarded to the County, as State HCD may deem

appropriate, without having to return to the Board for approval, subject to the Board's authority to rescind this delegated authority at any time;

- D. Direct the Director of the Department of Behavioral Wellness or designee to obtain concurrence from Risk Management, Auditor-Controller, and County Counsel before exercising the delegated authority under recommended action C; and
- E. Determine that the recommended actions:
 - i. Are not a project subject to California Environmental Quality Act (CEQA) pursuant to: CEQA Guidelines section 15378(b)(4), finding that the actions are the creation of a governmental funding mechanism or other government fiscal activity, which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment; and Public Resources Code section 21163.1, which states that a decision by a public agency to seek funding from the No Place Like Home Program does not constitute a "project;" and
 - ii. Are otherwise within the scope of the Notice of Exemption (NOE) adopted by the City of Santa Barbara and posted by the Santa Barbara County Clerk of the Board on December 15, 2020, in which the City found that Sanctuary's proposed development is exempt from CEQA pursuant to CEQA Guidelines section 15332 because it consists of an Infill Development Project.

Summary:

This item is on the agenda to request approval for the Director of the Department of Behavioral Wellness (BWell) or designee to execute on behalf of the County two Standard Agreements with California Department of Housing and Community Development (State HCD) and Sanctuary, a California nonprofit (a local vendor), and any subsequent amendments or modifications thereto, as well as any other documents which are related to the No Place Like Home (NPLH) program or the NPLH program funds awarded to the County, as State HCD may deem appropriate. The Standard Agreements are to accept Round 3 non-competitive allocation funds (Attachment A) and Round 4 competitive allocation funds (Attachment B) for the development of thirty-four (34) permanent affordable residential housing units at 115 W. Anapamu Street, Santa Barbara, California (APN 039-222-002), referred to as "Hollister II.". Of the 34 units, 20 will be designated for individuals with serious mental illness and are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness. The County is a party to the Standard Agreements, however, the NPLH funds will be loaned directly to Sanctuary who will be constructing a new housing complex. Behavioral Wellness is in partnership with this agreement to ensure the housing for Behavioral Wellness clients and will provide required behavioral health services to residents.

Background:

On October 23, 2020, the State issued a notice of available NPLH Round 3 funding. On January 12, 2021, the Board of Supervisors adopted two resolutions (No. 21-1 for non-competitive funding and No. 21-2 for competitive funding) that authorized the County to submit joint applications with Sanctuary to the State HCD for NPLH loan funds and authorized and directed "Alice Gleghorn, PhD, Director of the Department of Behavioral Wellness, or her designee" to act on behalf of the County in connection with the award of NPLH funds. Sanctuary was awarded a non-competitive allocation award in the amount of **\$450,000**. On March 14, 2023, the Board adopted a revised resolution for non-competitive funding (No. 23-38) which removed Alice Gleghorn's name as the authorized representative, replacing it with "the Director of the Department of Behavioral Wellness, or designee."

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The Hollister II permanent housing construction project is being supported by the County of Santa Barbara's Behavioral Wellness, Housing and Community Development, and Probation departments. Funding for this specific No Place Like Home loans will be provided by the State directly to Sanctuary Centers. As a requirement for receiving funds, Sanctuary Center will partner with Behavioral Wellness (BWell) to provide supportive services at the new facility.

On October 29, 2021, the State issued notice of available NPLH Round 4 competitive funding. Sanctuary and BWell submitted a joint application for competitive Round 4 funds and were awarded **\$6,959,564**. On November 1, 2022, the Board adopted Resolution No. 22-224 which authorized the County to accept the NPLH Program funds and authorized and directed the Director of BWell or designee to act on behalf of the County in connection with the award of NPLH funds.

On August 22, 2023, the Board approved a Permanent Housing Loan (23-00760) in the amount of \$1,400,000 from Housing and Community Development (HCD).

On December 13, 2022, the Board approved a 30-year, 0% interest, forgivable loan (22-01135) in the amount of \$1,500,000 of Public Safety Realignment reserve funds from Probation.

BWell is now returning to the Board for approval to execute Standard Agreements No. 20-NPLH-16259 and 21-NPLH-17347. The agreements will expire thirty (30) years from the effective date.

Construction Schedule & Funding:

Sanctuary plans to start construction in January 2024, with a construction sequence of 24 months, with completion targeted for December 2025. The Project residential funding sources are set forth in Table 1 and 2 below.

Table 1: Sanctuary Center Hollister II Residential Sources

Permanent Sources

First Republic Bank	1,488,578
State No Place Like Home (NPLH)* (Competitive Loan Amount + Non-Competitive Funds)	4,350,700
State Social Services CCE	7,000,000
CCE Cash Match	700,000
State Behavioral Health BHCIP	2,914,224
BHCIP Cash Match	291,425
County CCP	1,500,000
County PHLA	1,400,000
Developer Equity (Cash Donations)	4,351,546
Community Project Funds (CPF)	2,000,000
	\$25,996,473

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Table 2: Break-out of Funding Sources through Partnership with Behavioral Wellness

*No Place Like Home Competitive Capital Loan Amt	\$3,900,700
COSR (post-construction funding)	\$3,058,864
(Total of COSR and Capital Competitive Funding)	<u>\$6,959,564</u>
*No Place Like Home Non-Competitive Funds	\$ 450,000

*Indicates funding from NPLH excluding COSR

Fiscal Analysis:

Budgeted: N/A

Funds received from the non-competitive and competitive NPLH awards will be loaned directly by State HCD to Sanctuary upon execution of the Standard Agreements 20-NPLH-16259 and 21-NPLH-17347. Once construction begins, BOS (file #22-01135) approved on December 13, 2022, that Sanctuary will receive monthly disbursements from Public Safety Realignment reserve funds for Probation participation. BOS also approved an Affordable Housing Development loan approved on August 22, 2023 (BC23-00760).

The Capitalized Operating Subsidy Reserve (COSR) NPLH funds will be dispersed post-construction, with an initial loan period of at least 55 years. If there is any remaining debt, Sanctuary Centers reports that they intend to apply to convert the debt to a California Health Facilities Financing Authority (CHFFA) loan. COSR funds are reserves that will be held to cover the cost of per-unit subsidy for rental assistance.

Supportive services provided to NPLH Hollister II tenants will be funded by operating revenues, which are estimated to generate a sufficient amount of income to fund the estimated 50/50 share of services, where the County will receive a 50% share of costs through Medi-Cal, CalAIM, or other funding sources.

Performance Measures:

Sanctuary will submit to State HCD annual compliance and performance reports, and independent audits for Hollister II, prepared by a certified public accountant and in accordance with the requirements of the State's audit requirements. All NPLH projects are required to utilize the Coordinated Entry System (CES) as the primary marketing method and to report the attainment of housing retention goals under the Homeless Management Information System (HMIS), which is sponsored by the County Housing and Community Services Continuum of Care. This data may be, but is not required to be, gathered from the Santa Barbara County Homeless Management Information System. Sanctuary will report increased service capacity, decreased unsheltered homeless persons, and any increase in the number of homeless persons entering permanent housing attributable to Hollister II. The County will submit an annual report for each of the NPLH assisted units. As the lead service provider of supportive services, the County will also provide services to NPLH tenants as outlined in an MOU with Sanctuary, executed November 1, 2022 (Attachment C).

Key Contract Risks:

The State, County, and Sanctuary will enter into the NPLH Standard Agreements. Each Agreement constitutes a conditional commitment of NPLH funds and requires the County to comply with the requirements and provisions of the Program statutes, the NPLH Guidelines, and generally applicable state contracting rules and requirements. Once the Standard Agreement is executed, the status of the Hollister II development will inform the risk of the County incurring any costs to complete it prior to execution.

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The NPLH allocation will be awarded to Hollister II as a post-construction, permanent loan underwritten and held by the State as lender. This loan will have an initial term of 55 years. BWell will monitor the provision of services to NPLH tenants required by NPLH, as outlined in a Memorandum of Understanding with Sanctuary Centers executed November 1, 2022 (Attachment C).

The County and Sanctuary have agreed to mutual indemnification and insurance provisions.

Special Instructions:

Please return one (1) Minute Order to [Marilyn Simon-Gersuk at msimongersuk@sbcbswell.org](mailto:msimongersuk@sbcbswell.org) and to the BWell Contracts Division at bwellcontractsstaff@sbcbswell.org.

Attachments:

Attachment A: Standard Agreement No. 20-NPLH-16259 (Hollister II, Round 3 Noncompetitive)

Attachment B: Standard Agreement No. 21-NPLH-17347 (Hollister II, Round 4 Competitive)

Attachment C: Sanctuary Centers MOU

Attachment D: City of Santa Barbara CEQA NOE

Authored By:

Bethany Le and Marilyn Simon-Gersuk