



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:** January 11, 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 George Chapjian, Community Services Director (805)568-2485  
Director(s)  
Contact Info: Dinah Lockhart, Deputy Director HCD (805) 568-3523

**SUBJECT:** **Conditional Reservation of Funding to the Housing Authority of the County of Santa Barbara for 2021 Homekey Program Application in Goleta (Supervisory District 2)**

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**County Counsel Concurrence**

As to form: Yes

**Risk Management**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

- A) Approve a reservation of \$3,047,501 in funds made available by the American Rescue Plan Act of 2021 (ARPA), including HOME-ARP, and Homeless Housing Assistance and Prevention Program (HHAP) funds, or other available local, State or federal funds that have been allocated to the County, which will serve as capital matching funds required under the Homekey program for the acquisition and rehabilitation of 6021 Hollister Ave., Goleta by the Housing Authority of the County of Santa Barbara, and authorize the Community Services Director to execute a Reservation Letter (Attachment 1); and
- B) Determine that the recommended actions are exempt from the California Environmental Quality Act (CEQA) pursuant to California Health and Safety Code Section 50675.1.4, finding that the proposed "Homekey" project is to provide housing for individuals and families who are experiencing homelessness or who are at risk of homelessness and who are impacted by COVID-19 and that the project satisfies the requirements described more fully in Section 50675.1.4, and direct staff to file a Notice of Exemption on that basis (Attachment 2).

**Summary Text:**

This Board Letter is before the Board because the Housing Authority of the County of Santa Barbara (Housing Authority) requested that the County provide local capital match and satisfy CEQA requirements required for submitting a Homekey application to purchase the Super 8 hotel located at 6021 Hollister Ave., Goleta (Project). The Project would provide 60 permanent supportive housing units for persons who are homeless or at-risk of homelessness. The Phase II Community Action Plan identifies the need for 835 permanent supportive housing units. The Housing Authority is applying for competitive State of California Department of Housing and Community Development (State HCD) Homekey funds to help finance acquisition and rehab of the Project. A key consideration by the State for the award of Homekey funding is a local funding match.

If the application for approximately \$16,097,500 in State Homekey grant funds is awarded, the County will contribute \$3,047,501 in matching funds for capital costs. These funds would consist of \$1,500,000 of the ARPA funds previously set aside by the Board of Supervisors for Homekey match on October 19, 2021, \$1,015,191 in supplemental HOME Investment Partnership Program funds made available by the American Rescue Plan (HOME-ARP) approved by the Santa Maria/Santa Barbara HOME Consortium on December 17, 2021, and an additional \$532,309 in County ARPA or Homeless Housing Assistance and Prevention Program (HHAP) funds. The County is the lead entity of the HOME Consortium, which includes the cities of Buellton, Carpinteria, Solvang, Goleta, Santa Maria, and Lompoc. The HOME-ARP Allocation Plan and FY 2021-22 Substantial Action Plan Amendment are a separate item on the January 11, 2022 Board administrative agenda. The Housing Authority must also provide reasonable assurance to the State of matching contributions to cover operations and service costs for five (5) years. The estimated cost of operations and services is \$992,698 per year. The Homekey application would provide an estimated \$950,400 in operations funding per year for two years. The remaining operations and service costs for the first five (5) years will be funded with tenant and Section 8 rents; no additional operations and services subsidy is required for the first five-years.

According to Project Homekey program guidelines, the local funding match requirement can be evidenced in the application by a letter demonstrating the intent to commit funds to the project. The attached reservation letter evidences intent to commit funds but is non-binding; if the Homekey application is awarded, the County will need to commit matching funds by approving funding agreements with the Housing Authority. The City of Goleta will consider contributing approximately \$600,000 towards the Project on January 5, 2022 and has issued a letter of support of the Project attached to the NOE (Attachment 2).

**Background:**

AB 140 (2021) provided the statutory basis for Homekey Round 2, which is administered by State HCD. The State has made available approximately \$1.45 billion in Homekey funding. Homekey provides a significant statewide effort to sustain and expand housing for persons experiencing homelessness or at risk of homelessness. Of the \$1.45 billion in Homekey funding, \$1.2 billion is from the State's allocation of federal ARPA funds and \$250 million is State General Fund. Projects receiving an award from the State's direct allocation of ARPA must expend the funds within eight months of the date of award. The portion of a project's award associated with State General Fund must be expended by June 30, 2026. The Notice of Funding Availability for Homekey Round 2 was released on September 9, 2021. Following Board action on November 16<sup>th</sup>, the County applied for \$7 million in 2021 Homekey funding for the

acquisition and use of the property located at 6549 El Colegio Road in Isla Vista. As of the date of this Board letter, the State has not announced an awarded for the County’s El Colegio Homekey application.

To help ensure equitable distribution of Homekey funds throughout the State, the State created eight regions, with Santa Barbara County falling into the Central Coast region, along with Monterey, San Benito, San Luis Obispo, and Santa Cruz counties. Using a formula that considers a 2019 Point-In-Time count, and the number of extremely low-income renter households, the Central Coast region was allocated \$35.6 million in ARPA funds and \$7.4 million in State General Funds. Other set-asides were established for Homeless Youth and Tribal Entities. State HCD established a four-month period from the Notice of Funding Availability (NOFA) release date of September 9, 2021 through January 31, 2022, as a prioritization period for applications submitted ‘over the counter.’ After January 31, 2022, State HCD will unreserve geographic set-asides, and begin funding applications statewide. To encourage timely applications, State HCD will award a bonus for applications submitted by January 31, 2022. Eligible applicants are cities, counties, cities and counties, Local Public Entities such as housing authorities, councils of government or tribal entities. The application allows for governmental entities to apply independently or jointly with a nonprofit or for-profit corporation as a co-applicant.

The Homekey application evaluates and scores the following criteria for projects qualified for award, including ability to timely expend funds and operating leverage (40 points); experience (55 points); racial equity and community engagement (20 points); community impact and site selection (92 points); and, subtracts ‘negative’ points for projects that displace existing residents or households.

Goleta Super 8 Project

On November 15, 2021, the Housing Authority executed a property purchase and sale agreement for the Super 8 Hotel located at 6021 Hollister Ave. in the City of Goleta, contingent upon the award of a Homekey grant. The Goleta Project is a 65-room, three-story property near the Santa Barbara Airport, Goleta Beach, and the University of California Santa Barbara. If funded, the property will provide permanent supportive housing for residents.

Project Costs	
Purchase Price	\$ 11,500,000
Rehab Cost	\$ 5,525,000
Soft Costs and Fees	\$ 2,720,000
Total Project Cost	\$ 19,745,000
<i>\$19,745,000 / 60-units = \$329,083.33 per door</i>	

Capital Sources	
HomeKey Award	\$ 16,097,500
ARPA - County	\$ 1,500,000
HOME Consortium HOME-ARP	\$ 1,015,191
County ARPA / HHAP	\$ 532,309
City of Goleta Sources	\$ 600,000
	\$ 19,745,000

The Goleta Project would be owned by the Housing Authority or its assignee of the purchase and sale agreement, and State HCD Homekey funds would be awarded directly to the Housing Authority. The

application must identify potential funding sources to provide a reasonable assurance of being able to cover operations and services for five (5) years.

The State Homekey NOFA includes a formula for applicants to estimate a potential State award amount and local match requirements based on the number of residential doors in a property. The estimated grant amount for the Goleta Project is based on 60 “doors”. The other five (5) doors will be staff offices and community space. The Homekey grant, if awarded, would provide \$16,097,500 in estimated capital funding and an estimated total operating subsidy of up to \$1,900,800, or \$950,400 per year for two years. Award projections reflect 12 units set aside for Transitional Age Youth and 36 units set aside for persons experiencing chronic homelessness. All referrals for the project will come through the Coordinated Entry System (CES). The remaining units will be filled with persons prioritized for permanent supportive housing from the CES list.

**Performance Measure:**

If the State of California awards funding for the Project, the Housing Authority will serve 60 homeless households – a significant step towards the 835 supportive housing units found to be needed in the Phase II Community Action Plan approved by the Board of Supervisors on February 23, 2021. Housing retention, racial equity, increase in self-sufficiency and reducing homelessness will all be part of measuring project performance in the funding agreements. The Housing Authority will be responsible for operating funds through the 55-year regulatory period, but the designation of the projects as permanent supportive housing provides opportunity for operating funding.

**Fiscal and Facilities Impacts:**

Budgeted: No. Staff will return with a Budget Revision request and funding agreements committing the Homekey match funds if the Housing Authority’s application is successful.

**Fiscal Analysis:**

Narrative:

The attached reservation letter evidences intent to commit \$3,047,501 capital match funds for purposes of satisfying State Homekey application requirements but is non-binding. If the Homekey application is awarded, the County will need to commit matching funds by approving funding agreements with the Housing Authority. If the Project comes off the tax rolls, the County would lose an estimated \$8,139.06 and in property taxes per year. The City of Goleta will consider contributing an estimated \$600,000 towards the Project on January 5, 2022.

On October 19, 2021 the Board of Supervisors approved \$3,000,000 in County ARPA funds to be available for Homekey match as part of the Housing and Homelessness COVID-19 Recovery Plan. These funds will be available to be spent for the Project on July 1, 2022. A key strategy of recovery is to expand the continuum of housing options consistent with the Phase II Community Action Plan capital and service needs. The State requires that permanent supportive housing projects funded under Homekey provide a reasonable assurance of potential funding sources to cover operations and service costs for five years and submit estimated costs of operations and services through year 15. Tenant and Section 8 rent subsidies are projected to cover operations and services for the first five-years of each project. Recordation of a 55-year use restriction on the property to operate as supportive housing serving the target population will also be required of the Housing Authority. The Phase II Community Action Plan identifies the need for 835

permanent supportive housing units. The two projects combined will provide 135 units to meet the community need, 75 units in North County and 60 units in South County.

**Key Contract Risks:**

If the State awards Homekey funds, the Housing Authority will be required to sign and record regulatory agreements to operate the projects as supportive housing for the target population of persons experiencing homelessness or at risk of homelessness for 55 years or risk the repayment of the Homekey funds to the State and any penalty. The State will conduct ongoing monitoring to assure that the Project is being administered in accordance with the Homekey Program. The State will enter into a standard agreement with the Housing Authority.

**Staffing Impacts:**

**Legal Positions:**

**FTEs:**

No new staffing impacts. The projects will be administered by Housing Authority.

**Special Instructions:**

1. Please return one copy of the Minute Order to Dinah Lockhart at [dlockhart@countyofsb.org](mailto:dlockhart@countyofsb.org)

**Attachments:**

1. Goleta Reservation Letter
2. Notice of Exemption