



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
Department No.: 057
For Agenda Of: June 27, 2023
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from: N/A
Vote Required: Majority

TO: Board of Supervisors
FROM: Department George Chapjian, Community Services Director (805) 568-2467
Director
Contact Info: Laurie Baker, Grants & Program Manager (805) 568-3521
SUBJECT: **Approval of development financing using U.S. Treasury American Recovery Plan Act (ARPA), Coronavirus State and Local Fiscal Recovery Funds (SLFRF) and County HOME American Rescue Plan (HOME-ARP) funds; and Execution of Loan Documents with the Housing Authority of the County of Santa Barbara for development of the Buena Tierra Apartments located in the City of Goleta at 6021 Hollister Avenue (the “Project”), 3rd Supervisorial District.**

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

- a) Approve and authorize the Chair of the Board of Supervisors to approve and execute, where applicable: a) A HOME-ARP Loan Agreement (Attachment A), HOME-ARP Deed of Trust, (Attachment B), HOME-ARP Regulatory Agreement, (Attachment C), and a HOME-ARP Promissory Note, (Attachment D), (Collectively, the “HOME-ARP Loan Documents”), with the Housing Authority of the County of Santa Barbara, (“Housing Authority), for a total loan in the amount of \$3,530,383, as financial support to develop the Project, of which said HOME-ARP Loan is comprised of \$2,030,383 in form of HOME-ARP funds and \$1,500,000 in U.S Treasury American Recovery Plan Act (ARPA), Coronavirus State and Local Fiscal Recovery Funds (SLFRF), and
- b) Approve and authorize the Chair of the Board of Supervisors to execute a Subordination Agreement (Attachment F), subordinating the County HOME-ARP loan to a State of California HomeKey program loan to the Project in the amount of \$15,357,501, and

- c) Determine that the proposed action is exempt from the California Environmental Quality Act (CEQA) guidelines, pursuant to AB 83, signed into law by Governor Gavin Newsom on June 29, 2020, which established a statutory exemption from CEQA for activities funded by State of California Homekey funding (Health and Safety Code Section 50675.1.2.), of which the Project has also received financial support. An August 4, 2020, letter in this regard from the City Manager of the City of Goleta to the State Department of Housing and Community Development is included as Attachment E herein.

Summary Text:

Utilizing State of California HomeKey funding, on March 23, 2021, the Housing Authority acquired the property located at 6021 Hollister Avenue in the City of Goleta that formerly served as a 65-room Super 8 Motel. The Project, now named the Buena Tierra Apartments, involves converting the structure to a permanent supportive housing development that will provide 60 single-room occupancy apartments, including community and office space and related amenities, for homeless persons and households, with one apartment unit serving as a Property Manager's unit. To support the Project development budget, the County is providing funding under the American Recovery Plan Act (ARPA) and American Rescue Plan (HOME-ARP) programs.

Today's Board action would approve execution of Project Loan Documents realizing an aggregate County financial commitment of \$3,530,383, which is comprised of \$1,500,000 in ARPA and \$2,030,383, in HOME-ARP, and also includes execution of a Subordination Agreement, subordinating the County HOME-ARP loan to a State of California HomeKey program loan. This action enables the Housing Authority to continue to move forward with Project construction, which is projected for completion and occupancy in the final quarter of 2023.

Background:

On March 11, 2021, the American Rescue Plan (ARP) Act was signed into law by President Biden. A portion of ARP funding was allocated under the HOME program, and targeted specifically to address homelessness. Accordingly, the U.S. Department of Housing and Urban Development (HUD) allocated \$4,647,509 in HOME-ARP funding to the County. The County's HOME-ARP Plan enables three activities of primary benefit to certain Qualifying Populations who are homeless, at risk of homelessness, or in other vulnerable populations: (1) development and support of affordable housing, (2) provision of tenant-based rental assistance (TBRA), and (3) provision of supportive services. The County will retain \$697,126 to cover administrative costs. On January 22, 2022, the County approved the FY 2021-22 HOME-ARP Amendment to Action Plan that included the allocation and use of HOME-ARP funds. In addition, a separate HOME-ARP Plan was submitted to HUD and subsequently approved.

Santa Barbara County HOME ARP Allocation Plan

Eligible Activity	Funding Amount
Administration and Planning	\$697,126
HOME-ARP Rental Housing	\$2,430,383
Tenant-Based Rental Assistance	\$840,000
Supportive Services	\$680,000
Total	\$4,647,509

In regards to the \$1,500,000 in Santa Barbara County ARPA SLFRF Funds, these are provided to the Project subject to the U.S. Department of Treasury January 6, 2022 Final Rule enabling the use of ARPA funds for affordable housing as an additional ARPA-eligible activity. The City of Goleta has also provided ARPA funds in the amount of \$532,309 for the Project. The Project ARPA funds being incorporated into the HOME-ARP Loan Documents will be subject to HOME-ARP regulations pursuant to the October 10, 2021, Federal Register Notice 86 FR 56764, *Waivers and Alternative Requirements for Implementation of the HOME American Rescue Plan (HOME-ARP) Program*.

In consideration of this, as the ARPA minimum compliance period is twenty (20) years and HOME-ARP fifteen (15), years, the County will apply a twenty-year compliance standard as most rigorous. Therefore, the Project Loan Documents reflect a 20-year term, “0” percent interest, no payments required, forgivable loan predicated on continued Project compliance during this timeframe.

Buena Tierra Project Scope of Work and Description:

The Buena Tierra Apartments will provide sixty (60) single-room occupancy apartment homes that serve individual households, or small households up to two persons, of which eleven (11) units will be restricted to households who are determined to be Qualifying Population households as stipulated in the County’s HOME-ARP Plan. The Housing Authority will serve as Project owner/operator. Five (5) of the existing 65 motel rooms will be combined and converted to community space for Buena Tierra residents and on-site staff offices. An existing swimming pool on the Project site will be abandoned and filled-in to serve as outdoor amenity space for residents.

The Project involves conversion from the existing commercial land use to residential and the Project scope of work includes: new fire sprinkler and alarm systems; railing repair and painting; interior painting, elevator repair, installation of new appliances and flooring, air conditioning and replacement of plumbing/lighting fixtures, site work/landscape improvements, and conversion of 10 motel rooms to meet Americans with Disabilities Act (ADA) requirements.

Buena Tierra Project Budget:

The total development cost of the Project is in the amount of \$19,480,788. Project financing sources are reflected below, with the County commitments of ARPA and HOME-ARP combined into one HOME-ARP loan and regulatory instrument.

Buena Tierra Apartments-Sources of Funds

HomeKey	\$15,357,501
ARPA - County	\$ 1,500,000
HOME-ARP	\$ 2,030,383
<u>City Sources (ARPA, General Fund)</u>	<u>\$ 592,905</u>
Total Project Budget/Sources	<u>\$ 19,480,789</u>

Buena Tierra Project Schedule:

In terms of the current Project status, Project work start date was on August 12, 2022, with a projected completion date in the final quarter of 2023. A Community Outreach meeting was conducted on October, 13, 2022, to provide the public with the purpose of the Project and to address any questions or concerns. Third District Supervisor, Joan Hartmann, was in attendance as well as City of Goleta elected officials and Housing Authority leadership and management staff; the Project was well-received by community members in attendance.

Performance Measure:

County HCD staff will monitor the Project during the construction phase through Project completion and lease-up to ensure that all performance metrics are being met and the eleven (11), HOME-ARP designated units are occupied by Qualifying Populations in accordance with the October 10, 2021, Federal Register Notice 86 FR 56764, *Waivers and Alternative Requirements for Implementation of the HOME American Rescue Plan (HOME-ARP) Program*.

County HCD staff will continue to monitor the property against Housing Quality Standards (or other HUD tool) and occupancy requirements for the duration of the loan and regulatory term.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

Funding Sources	Current FY Cost:	Annualized On-going Cost:	Total One-Time Project Cost
General Fund			
State			
Federal			\$ 3,530,383.00
Fees			
Other:			
Total	\$ -	\$ -	\$ 3,530,383.00

Narrative: The FY 2020-21 Action Plan approved by the Board on January 22, 2022 included \$2,030,383 in HOME-ARP funds for the development of rental housing. The funding was made available by HUD on October 12, 2022. Staff time required to administer and monitor the Project is incorporated into County HCD’s annual operating budget, as existing staff resources are allocated for administrative and regulatory oversight of the Project.

Key Contract Risks:

HUD could require the County to repay HOME-ARP and ARPA funds expended for ineligible expenses with non-federal funds. The subrecipient agreement specifies HOME-ARP and ARPA eligible expenses, and County staff will review each Housing Authority Project payment request to ensure that expenses have been incurred for eligible Project costs; HOME-ARP and ARPA funds are provided on a cost-reimbursement basis.

Staffing Impacts:

Current HCD staff will administer the subrecipient agreement.

Special Instructions:

1. Please return a copy of the Minute Order to Carlos Jimenez, at cjimenez@countyofsb.org.
2. Please execute each of the following and a) retain the original in COB files and hold **a copy** for pick up by Carlos Jimenez. Please email or call 8-3529 when ready for pickup:
 - a. Executed original of the HOME-ARP Loan Agreement (Attachment A),
 - b. Executed original of the State HomeKey Subordination Agreement (Attachment F)
3. Please hold for pick up the HOME ARP Deed of Trust (Attachment B) **with original signature** for recording in the County’s real estate records. After recording, the original will be returned to COB for its files.
4. Please hold for pick up the HOME ARP Regulatory Agreement (Attachment C) **with original signature** for recording in the County’s real estate records. After recording, the original will be returned to COB for its files.
5. Please retain the HOME-ARP Promissory Note signed by Borrower (Attachment D) in COB records, and hold a COPY for pick up.

Please email or call Carlos Jimenez at cjimenez@countyofsb.org or 8-3529 when documents are ready for pickup.

Attachments:

- A: HOME-ARP Loan Agreement, Buena Tierra Apartments
- B: HOME-ARP Deed of Trust, Buena Tierra Apartments
- C: HOME-ARP Regulatory Agreement, Buena Tierra Apartments
- D: HOME-ARP Promissory Note, Buena Tierra Apartments
- E. August 4, 2020, CEQA Letter from City of Goleta City Manager to State of California HCD
- F. State HomeKey Subordination Agreement

Authored by:

Carlos Jimenez, Housing Program Specialist