



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:** December 14, 2021  
**Placement:** Administrative  
**Estimated Time:**  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors

**FROM:** Department Janette D. Pell, Director, General Services (805) 568-1011  
Director(s) Pamela Fisher, PsyD, Acting Director, Behavioral Wellness  
(805) 681-5220

Contact Info: Skip Grey, Assistant Director, General Services (805) 568-3083  
Pamela Fisher, Psy.D., Acting Director, Behavioral Wellness  
(805) 681-5220

**SUBJECT:** Santa Barbara Community Housing Corporation Third Amendment to Lease Agreement, Second District (R/P File No.: 002874) and Memorandum of Understanding Repayment of the California Department of Housing and Community Development Special User Housing Rehabilitation Loan (88-HRL-S-279)

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**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, ratify, and authorize the Director of the Department of Behavioral Wellness to execute a **Third Amendment to Lease Agreement** (“Third Amendment”) between the County of Santa Barbara (“County”) and the **Santa Barbara Community Housing Corporation (“SBCHC”)**, subject to the following conditions:
  - a. The Third Amendment provides for SBCHC’s use of the building known as Casa Del Mural, located at 4570 Calle Real in the unincorporated area of Santa Barbara County (“Premises”), will amend and further define the responsibilities of SBCHC and the County regarding property management services, use of fees and remittance of collected rents, and extends the lease term to November 30, 2032;

- b. The Third Amendment is in a form substantially similar to the attached draft Third Amendment and subject to concurrence from County Counsel, Auditor-Controller, and Risk Management; and
  - c. The Third Amendment receives approval from the California Department of Housing and Community Development.
- B. Approve and authorize the Chair to execute the **Memorandum of Understanding** (MOU) between the County and SBCHC, which defines the County and SBCHC's roles and responsibilities with respect to repayment of the Special User Housing Rehabilitation Program (SUHRP) Loan Agreement No. 88-HRL-S-279 from the California Department of Housing and Community Development for improvements made to the Premises; including the use of County funds contained in the County loan security trust account, Fund 1163, and SBCHC's obligation to remit withheld and future rents for tenants at Casa Del Mural to the County in accordance with the MOU for the eventual repayment of the \$380,000 SUHRP Loan inclusive of interest in full on or before January 23, 2022;
- C. Authorize County staff, in accordance with the MOU, to deposit withheld and future rents for tenants at Casa Del Mural from SBCHC into Fund 1163 for the eventual repayment of the \$380,000 SUHRP Loan, inclusive of interest, on or before January 23, 2022;
- D. In accordance with the MOU, authorize the use of rents paid to the County and added to Fund 1163 to be transferred to SBCHC for repayment of the \$380,000 SUHRP Loan and find that use of County funds is in the public interest under California Government Code §26227;
- E. Find that Recommended Actions A through D are necessary to meet the social needs of physically, mentally, and financially handicapped persons and aged persons in the County, in accordance with California Government Code §26227; and
- F. Determine that the proposed actions are not defined as projects in accordance with California Environmental Quality Act (CEQA) §15378(b)(4) because they are government fiscal activities or funding mechanisms that do not involve a commitment to any specific project which may result in potential physical impacts on the environment, and therefore do not require environmental review.

**Summary Text:**

This item is on the agenda for approval of the Third Amendment to Lease Agreement (Attachment 1) for SBCHC's continued use and operation of the Casa Del Mural facility, which provides supportive housing and intensive rehabilitative support services for mentally ill clients. This Third Amendment amends the Lease Agreement ("Lease") (Attachment 5) by extending the term of the Lease to November 30, 2032; updating SBCHC's property management duties; authorizing a change in rental assistance program participation and facilitating repayment of the SUHRP loan that SBCHC obtained from the State of California Department of Housing and Community Development (HCD) on January 1, 1992 to improve the building known as Casa del Mural.

In addition, the Board's action will approve and authorize the Chair to execute a Memorandum of Understanding ("MOU") (Attachment 2) that will define the roles of SBCHC and the County with respect to the use of County Fund 1163 to assist with repayment of the SUHRP loan. Use of Fund 1163 will be for the public purpose of promoting affordable housing options for individuals with severe mental illness. Approval of the recommended actions will allow the County Department of Behavioral Wellness to continue to provide necessary residential housing to vulnerable populations in cooperation with SBCHC.

**Background:**

On December 5, 1989, the County executed the Lease with SBCHC, a non-profit organization dedicated to providing safe and affordable housing to area residents, with the intent that SBCHC would develop and rehabilitate the County-owned facility known as Casa Del Mural as a residential project for adults with mental illness. The Lease, and its first amendment dated November 5, 1991 (Attachment 4), set forth the parties' rights and obligations and authorized SBCHC to rehabilitate the facility with proceeds from loans obtained from HCD and the U.S. Department of Housing and Urban Development ("HUD"). The lease includes a requirement that the parties notify and receive approval from HCD for any amendment, modification, or termination of the Lease. Thereafter, in January 1992, SBCHC borrowed \$200,000 from HCD ("HCD Loan") (Attachment 6) and \$477,326 from HUD, using the Lease and amendment as collateral for the loans. Upon completion of the renovation project, the facility provided residential services for twelve (12) formerly homeless adults with severe mental illness.

**Memorandum of Understanding**

In order to satisfy a State requirement for approving the HCD Loan, the County committed \$50,000 to establish a loan security trust fund to assist with the eventual HCD Loan repayment. The County Auditor-Controller's Office thereafter established County Fund No. 1163 ("Fund 1163") for this committed funding. The current balance of Fund 1163 is not sufficient to repay the outstanding balance of the HCD Loan, which comes due on January 23, 2022. The proposed MOU is intended to increase the balance of Fund 1163 and help facilitate repayment of the HCD Loan.

Under the Lease, when SBCHC collects security deposits, rent, and rent subsidies from the residents of Casa Del Mural, it places those funds in a designated financial account, the minimum balance of which is not less than the cumulative total of all security deposits for the current residents of the facility. Under the terms of the MOU, any excess funds less than the monthly fee for SBCHC's services will be transferred to the County to be placed in Fund 1163.

**Third Amendment to Lease Agreement**

The Second Amendment to Lease Agreement (Attachment 3), dated November 3, 2009, noted the facility's changed capacity after a 2008 remodel from twelve (12) residents to eight (8) residents, plus one on-site resident manager. It also clarified SBCHC's loan obligations and property management duties and established the County's maintenance and repair duties, in addition to its obligation to pay all utilities for the Premises. Additionally, it required SBCHC, as qualified project sponsor, to maintain a "Shelter Plus Care" designation for Casa Del Mural (as established by the Housing Authority of the City of Santa Barbara) and set SBCHC's service fee at \$500 per month.

This Third Amendment will allow a shift from the "Shelter Plus Care" Continuum of Care Program to the HUD Section 8 Housing Choice Voucher Program. SBCHC will only be connected to Continuum of Care requirements through December 20, 2020. This change will provide clients with more options and choices since SBCHC is no longer limited to Shelter Plus Care grant funding. In addition, the Third Amendment increases SBCHC's monthly fee from \$500 to \$700 and provides for SBCHC to remit to County all funds designated for deposit into Fund 1163 as set forth in the MOU. The extension of the lease reflects the commitment of the County and SBCHC to retain this project as affordable housing and to allow all parties sufficient time to comply with recent AB 1521 requirements that tenants of certain assisted housing developments receive notice prior to the termination of use restrictions.

The County Department of Behavioral Wellness has notified HCD of the new terms. Final approval of the Third Amendment to the lease is pending with the State. The State confirmed that they are in the process of reviewing the document and that the County and SBCHC's intent of the lease seems clear that

the County and the Lessee plan to continue renting to the same tenants, under the same affordability restrictions for another 10 years, and give notice to tenants in accordance with current CA Preservation law. In the event the State doesn't approve the item by docketing, the Board has delegated authority to the Director of Behavioral Wellness to make non-substantive changes based on the States feedback. If substantive changes are needed the County will return to the Board for further consideration and approval.

**Fiscal and Facilities Impacts:**

Budgeted: Yes

Execution of this Third Amendment will not result in any direct fiscal or facility impacts on the County. Approval will aid the County and SBCHC with projecting the balance of Fund 1163 to ensure there will be enough funds to repay HCD loan obligation #88-HRL-S-279 in full, no later than January 23, 2022 in the amount of \$380,000, including the principal and all accumulated interest. As of November 2021, the balance of Fund 1163 is approximately \$117,967. The remainder of the funds will come from rents receivable, which are estimated to be \$263,377 for the period of 7/1/2020 through 12/31/2021. Because rents receivables are generally used to pay for the operating costs of running Casa Del Mural, the County Department of Behavioral Wellness will temporarily use the Mental Health Services Act ("MHSA") funds to cover operating costs for MHSA clients if necessary.

<b>Program</b>	<b>Agency</b>	<b>Loan Amount</b>	<b>Term</b>	<b>Forgiveness</b>
Special User Housing Rehabilitation Program (SUHRP Loan) Promissory Note Secured by Deed of Trust	State HCD	\$200,000	30 Years – January 23, 1992-2022  3% simple interest per year (3% x 30)	In 2009, HCD confirmed that the loan is not forgivable.  Principal plus interest is due in 2022.*
Permanent Housing for the Handicapped Homeless (PHHP Loan)	HUD	\$477,326	January 1992 – forgiven on December 2012	10% of principal forgiven starting in the 11 <sup>th</sup> year.  After 20 years of occupancy, loan is forgiven.

**Fiscal Analysis:**

<b><u>Funding Sources</u></b>	<b><u>General Fund Contribution 1992</u></b>	<b><u>Original Loan 1992</u></b>	<b><u>Accumulated Revenue 6/30/20</u></b>	<b><u>Projected Rent 7/1/20 - 12/31/21</u></b>	<b><u>Funds for Loan Repayment due 12/31/21</u></b>
General Fund	\$ 50,000				
State: Original Loan		\$ 200,000			
Accumulated interest*		\$ 180,000			
Fund 1163			\$ 117,967		
Accrued Rent			\$ 149,872	\$ 130,000	
Other: Mangement Fee				\$ (9,500)	
<b>Total</b>		<b>\$ 380,000</b>	<b>\$ 267,839</b>	<b>\$ 120,500</b>	<b>\$ 388,339</b>

\*as of January 23, 2022

**Key Contract Risks:**

In the Lease, the County authorized SBCHC to encumber its leasehold estate and use the lease as collateral to secure a loan from HCD. County also provided an advance payment of \$50,000 for preconstruction costs for the rehabilitation of Casa Del Mural in 1992. When SBCHC repaid that advance, the funds were used to establish Fund 1163. This Third Amendment is designed to reduce County's risk of liability by clarifying the parties' rights and obligations regarding the repayment of the HCD Loan on January 23, 2022. Rent receivable through December 2021 will be sufficient to repay the loan. This will allow the County to continue to support a valuable service and provide greatly needed housing for formerly homeless individuals with severe mental illnesses.

**Staffing Impacts:** N/A

**Special Instructions:**

After the Board action, please distribute as follows:

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| 1. Copy of Original Document:                      | Temporary Clerk of the Board Files   |
| 2. Original, Duplicate Original, and Minute Order: | Susan Freebourn, Real Estate Services and<br>Denise Morales, Behavioral Wellness |

\*\* Real Estate Services will record the Original and return a certified copy to the Clerk for filing.\*\*

**Attachments:**

- Attachment 1: SBCHC Casa Del Mural Third Amendment to Lease Agreement
- Attachment 2: SBCHC Casa Del Mural Memorandum of Understanding SUHRP Loan Repayment
- Attachment 3: SBCHC Casa Del Mural Second Amendment to Lease Agreement
- Attachment 4: SBCHC Casa Del Mural First Amendment to Lease Agreement
- Attachment 5: SBCHC Casa Del Mural Lease Agreement
- Attachment 6: SBCHC Casa Del Mural Housing and Community Development Loan
- Attachment 7: SBCHC 1991 Board Letter

**Co-authored by:**

- D. Morales, Contracts/BWell
- S. Freebourn, Real Estate Services/GS