



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 & Behavioral Wellness
Department No.: 055
For Agenda Of: 5/19/20
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department George Chapjian, Community Services Director (805) 568-2485
Director(s) Dr. Alice Gleghorn, Behavioral Wellness Director (805) 681-4742
Contact Info: Dinah Lockhart, Deputy Director (805) 568-3523
Laurie Baker, Grants and Program Manager (805) 568-3521
SUBJECT: Conditional \$500,000 Allocation of HOME and No Place Like Home Funding to the Housing Authority of the County of Santa Barbara for the Cypress & 7th Project in the City of Lompoc (Supervisorial District 5)

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 a reservation of County funds for the Cypress & 7th project ("Project") that will (a) be in an amount not to exceed \$250,000; (b) consist of HOME and/or In-Lieu funds; and (c) be released if the Housing Authority does not receive firm commitments from all funding sources, including formal notification by the State of California of an award of tax credits and competitive NPLH funding, on or before September 30, 2021;
- B. Authorize the Director of Community Services Department (CSD) to sign a letter to the Housing Authority indicating the conditional allocation of HOME and/or In-Lieu funds (Attachment A);
- C. Approve a conditional allocation for the Project that will (a) be in an amount not to exceed \$250,000; (b) consist of No Place Like Home (NPLH) non-competitive funds; and (c) be released if the Housing Authority does not receive firm commitments from all funding sources, including formal notification by the State of California of an award of tax credits and competitive NPLH funding, on or before September 30, 2021;

- D. Authorize the Director of the Department of Behavioral Wellness (Be Well) to sign a letter to the Housing Authority indicating the conditional allocation of NPLH Non-Competitive funds (Attachment B); and
- E. Determine that the approval of the allocations of funding is not the 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) as it is the 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 impact on the environment.

Summary Text:

The Project Applicant and developer, the Housing Authority of the County of Santa Barbara (Housing Authority), intends to submit an application to the California Tax Credit Allocation Committee (CTCAC) for low-income housing tax credits (LIHTC) to construct 15 rental units in the City of Lompoc for homeless persons and homeless persons with a diagnosis of a chronic mental illness (Project). In connection with its LIHTC application, the Developer must demonstrate to CTCAC that all other funding sources needed to complete construction of the Project are in place. The conditional reservation and allocation letters enclosed as Attachment A and Attachment B will help advance the Housing Authority’s applications for State tax credits and competitive NPLH funds to finance the Project. The City of Lompoc allocated its \$124,584 of HOME funding to the Project to match \$125,416 of County HOME and/or In-Lieu funding; together, these allocations will comprise the \$250,000 recommended for reservation to the Project in this board letter. The Housing Authority will leverage the combination of the \$250,000 from HOME/In-Lieu funding and \$250,000 from Non-Competitive NPLH to fund the estimated \$7.8 million Project. At a later date and subject to Board approval, the Housing Authority also will submit a joint application with the County to the State for NPLH funds.

Background:

On November 8, 2019, County’s Division of Housing and Community Development (HCD) under the Community Services Department published a Notice of Funding Availability (NOFA) to solicit applications for grants and loans for affordable housing development and other capital projects, and for a variety of human services and homeless programs. Staff will return to the Board on an as-needed basis for specific projects and programs utilizing Federal, State and/or local funds for housing development, human services and homeless programs.

In addition to the County’s annual allocations of Federal funds, for FY 2020-2021, certain State funding streams are available to the County to award under the County’s customary approval processes, including the annual NOFA process. The recommended actions conditionally allocate funding under State of California NPLH and federal HOME programs.

HOME

County HCD administers an affordable housing development program which is funded through federal HUD funds and local In-Lieu Fee funds. The County receives annual allocations of Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) program funds, which may be used for housing projects. HOME funds are annually allocated to the County as the lead entity of the Santa Barbara County HOME Consortium, which consists of the County and the cities of

Lompoc, Buellton, Solvang, Goleta, Santa Maria, and Carpinteria. Projects that are approved by the Board for funding from federal sources are included in the County's annual Action Plan, or in a substantial amendment to a prior year Annual Action Plan, and submitted to HUD. Annual Action Plans and amendments are approved by the Board prior to submission to HUD. At such time that staff brings this project back to the Board for approval and execution of loan documents, a substantial amendment to the Action Plan will be prepared for approval by the Board and submitted to HUD. Local In-Lieu fees are collected from developers who elect to pay the fee in-lieu of including affordable housing units in developments under the County's Inclusionary Housing Ordinance.

This Board Letter recommends the reservation of \$250,000 in HOME and/or In-Lieu funds to the Housing Authority to develop the Project. Approving the reservation letter in the amount of \$250,000 will reserve the funding for the Project until September 30, 2021 and provide the Housing Authority with sufficient time to secure the other required funding, including LIHTC and competitive NPLH. If the Housing Authority obtains the necessary funding, HCD staff will return to the Board for final approval and execution of loan documents and an Action Plan substantial amendment, if required. The loan likely will have a term of 55 years, with three-percent simple interest, payable from residual receipts, after payment of operating expenses and other debt payments.

NPLH

The No Place Like Home program changed how funding under the Mental Health Services Act (MHSA) is used. On July 1, 2016, Governor Brown signed legislation enacting the NPLH to dedicate up to \$2 billion in bond proceeds to invest in the development of permanent supportive housing for persons in need of mental health services and are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness. The bonds are repaid by funding from the Mental Health Services Act (MHSA). The State is allocating funds to counties on a competitive and non-competitive basis. Approximately \$2.5 million in non-competitive funds was allocated to the County to be awarded to qualifying projects; of which \$1.5 million was approved by the Board on December 17, 2019 to be included in a State application for the West Cox Apartments in Santa Maria, which is also being developed by the Housing Authority. While NPLH funds are overseen by Be Well, Be Well has partnered with HCD on the vetting and approval process of projects seeking NPLH non-competitive funds.

In addition, approximately \$245 million was made available on a competitive basis to all medium-sized counties, which includes Santa Barbara County. The State NOFA for the next funding round is expected to be published on or about December 2020. Funding can be used for acquisition, construction, or rehabilitation of housing, and to subsidize extremely low rent levels over 20 years.

This Board Letter recommends the conditional allocation of \$250,000 in non-competitive NPLH and \$250,000 in HOME/In-Lieu funds to the Project for the purposes of the Housing Authority's application to the State for LIHTC in July 2020. Be Well will return to the Board for approval to submit a non-competitive NPLH Project application in the amount of \$250,000 and a competitive NPLH application with the Housing Authority to the State. In addition, HCD will return to the Board for approval and execution of loan documents for the HOME/In-Lieu funds and, if required, an Action Plan substantial amendment.

The Cypress & 7th Project

The proposed Project will be located at 1401 E. Cypress Ave in the City of Lompoc. The Project will consist of 15 1-bedroom rental units. Five (5) of the units will be restricted to tenants earning 50% AMI or less, and nine (9) units will be restricted to tenants earning 60% AMI or less. One of the units will be a manager's unit without income or rent restrictions. Each unit will have a covered patio or balcony and kitchen appliances. The three (3) story building will include a community room for residents, laundry, and bike parking. The Housing Authority acquired the property on April 20, 2018 and City Planning Commission Approval was obtained on October 9, 2019.

The \$2,000,000 recommended for the Project is comprised of \$250,000 in HOME and/or In-Lieu funds, \$250,000 in NPLH non-competitive funds, and \$1,500,000 NPLH competitive funds. Be Well will submit a project-specific non-competitive NPLH application and a competitive NPLH application with the Housing Authority at a later date and subject to Board approval. The conditional allocations recommended in this Board Letter will allow the Housing Authority to apply for federal LIHTC.

The Housing Authority's application for the Project was reviewed by HCD and Be Well staff and forwarded to the Capital Loan Committee (CLC) for review and funding recommendations. The CLC recommended County funding, in the amounts proposed in this Board Letter, for the Project on February 13, 2020 based upon a review of the construction budgets, funding sources, and projected 20-year operating proformas.

Total project cost is expected to be approximately \$7.8 million, depending on the total LIHTC awarded to the Project and final costs of construction and materials.

Performance Measure:

NPLH

The State of California will enter into agreements with the Housing Authority to allocate NPLH funds to the Project. The State will monitor the Project for property and loan compliance for 55 years. Be Well will enter into service agreements with the Housing Authority to provide required services for twenty years under the NPLH program. The following required services can be provided onsite or at another easily accessible location:

1. Case management;
2. Peer support activities;
3. Mental health care;
4. Substance use services;
5. Physical health care, including routine and preventive health and dental care, medication management, and wellness services;
6. Benefits counseling and advocacy; and
7. Basic housing retention skills.

HOME

The County HOME loan documents, if later approved by the Board, will designate income- and rent-restrictions for the required number of units through a County HOME Loan Regulatory Agreement. In

addition, the County will execute a County loan agreement, Promissory Note, and Deed of Trust with the Housing Authority and/or Limited Partnership formed in conformity with the LIHTC program. HCD staff will monitor the HOME loan for the duration of the 55-year term and the HOME-restricted units for a minimum of twenty years.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

General Fund					
State			\$		250,000.00
Federal			\$		250,000.00
Fees					
Other: In-Lieu					
Total	\$	-	\$	-	\$ 500,000.00

Narrative:

These amounts are conditional allocations only and Board Action on these items does not approve expenditures.

Key Contract Risks:

Contracts are not being executed at this time. If the Project receives an allocation of LIHTC and other funds needed to proceed, staff will return to the Board for firm commitments of funds and execution of County loan documents. If the Project does not receive allocations of LIHTC, competitive NPLH, and commitments of other necessary funding to complete the Project, staff may return to the Board to either extend the funding reservation or to re-allocate the funds to other eligible projects.

Staffing Impacts:

The current requested activity falls within currently budgeted staff duties. However, a future commitment of County funds to the Project will necessitate regulatory and fiscal monitoring for the term of the loans. Monitoring will be conducted by existing HCD staff.

Special Instructions:

Please email a copy of the Minute Order to Ted Teyber, teyber@co.santa-barbara.ca.us

Attachments:

- A. County CSD Letter of Reservation of Funds
- B. County BWD Letter of Allocation of Funds