



**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: May 2, 2023
Placement: Departmental
Estimated Time: 30 minutes
Continued Item: No
If Yes, date from:
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 Santa Barbara County HOME Consortium and CDBG Urban
County FY 2023-24 Annual Action Plan and FY 2022-23 Annual Action Plan
Substantial Amendment.**

County Counsel Concurrence

As to form: Yes

Risk Management

As to form: Yes

Recommended Actions:

That the Board of Supervisors (Board):

- A. Receive and file a staff report on the Santa Barbara County 2023-24 Annual Action Plan (Action Plan), which includes recommendations for award of Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME) funds for FY 2023-24;
- B. Receive and file a staff report on the Santa Barbara County 2022-23 Annual Action Plan Substantial Amendment (Substantial Amendment), which includes recommendations for award of prior-year CDBG funds for FY 2023-24;
- C. Consider public comments received on the draft 2023-24 Action Plan and 2022-23 Action Plan Substantial Amendment, during the thirty (30) day public comment period, which commenced on March 31, 2023, and concludes at today's public hearing on this item;
- D. Approve funding awards and direct staff to include the awards in the 2023-24 Action Plan (Attachment A) and 2022-23 Substantial Amendment (Attachment B);
- E. Adopt a Resolution authorizing submittal of the 2023-24 Action Plan and 2022-23 Substantial Amendment to the U.S. Department of Housing and Urban Development (HUD) (Attachment C);

Auditor-Controller Concurrence

As to form: Yes

- F. Direct staff to finalize the 2023-24 Action Plan and 2022-23 Substantial Amendment, add any public comments received, and submit the Action Plan and Substantial Amendment to HUD;
- G. Authorize the County Executive Officer or her designee to execute all certifications, standard forms, and other related documents required for the acceptance and administration of FY 2023-24 CDBG and HOME funds, and authorize the County Executive Officer or her designee to execute all certifications, standard forms, and other related documents required for the submittal to and approval by HUD of the 2023-24 Action Plan; and
- H. Determine that the above recommended actions are 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), finding that the project is a 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 physical impact on the environment.

Summary Text:

HUD FY 2023-24 Action Plan

Each fiscal year, the County is required to submit an annual action plan to HUD reflecting the annual allocation, the grant awards made to qualifying nonprofit organizations operating in Santa Barbara County, and County management and oversight of CDBG and HOME entitlement funds. The Action Plan represents the County's formal annual grant application to HUD for HOME and CDBG allocations. The CDBG and HOME allocations for FY 2023-24 are as follows:

Community Development Block Grant (CDBG):	\$1,224,523
HOME Investment Partnerships Program (HOME):	\$1,297,229

In addition, the County is required to submit to HUD an Action Plan Substantial Amendment when prior-year funds are used for a project or program not previously included in that year's Action Plan.

CDBG Overview:

CDBG funds are allocated for eligible capital, infrastructure, or economic development activities. For FY 2023-24, the Community Services Department's Housing and Community Development Division (HCD) issued a Notice of Funding Availability (NOFA) on November 7, 2022, with applications due on January 13, 2023. HCD received 26 applications for CDBG Public Services funds representing \$774,439 in requests, with \$183,678 (15% of the CDBG allocation) available to allocate. Six (6) applications were received for capital projects, totaling \$2,040,979 in requests, with \$1,198,983 available to allocate.

HOME Overview:

HOME funds are primarily used for affordable housing construction and rehabilitation, Tenant-Based Rental Assistance (TBRA), and homeowner rehabilitation programs. Applications for affordable housing developments utilizing HOME and/or other County affordable housing resources are considered as projects are ready to proceed, including having site control, project entitlements, and securing all other project financial resources, with the exception of federal and state tax credits and/or private activity bond financing.

The NOFA solicited Notices of Intent (NOI) for developments that would be ready to proceed in FY 2023-24, and HCD received thirteen (13) NOIs. Full project applications are invited as development projects are ready to move forward. HCD staff subsequently returns to the Board as proposed development projects are prepared to apply for final project financing or are otherwise ready to proceed; therefore, funds may not be fully committed each year. However, for 2023-24, given that many projects applying for County funds are ready to apply in the calendar year for state and/or other final project financing, a significant amount of the County funds available have been reserved, subject to future commitment, if these projects receive final funding sources. A reservation of County funds supports local commitment and increases the probability of projects competitiveness at the state level.

Background:

In partnership with local participating jurisdictions, HCD serves as lead entity for the CDBG Urban County Partnership and HOME Consortium. The CDBG Urban County Partnership consists of the County, and cities of Carpinteria, Buellton and Solvang. The HOME Consortium includes the same cities with the addition of the cities of Santa Maria, Lompoc, and Goleta.

CDBG Program

The CDBG program is utilized primarily for capital projects and public services programs, with a cap of fifteen percent (15%) of the annual allocation which may be allotted to public services. The County retains twenty percent (20%) of the annual CDBG entitlement allocation for program administration.

FY 2023-24 CDBG funding and distributions are in Table 1 below.

Table 1: Distributions to CDBG Urban County Partner Cities, FY 2023-24

Jurisdiction	Distribution	20% Admin	15% Public Services	Capital Projects	Total CDBG Funds
County		\$244,904			\$244,904
County	85.31%		\$156,698	\$679,030	\$835,728
Buellton	3.18%		\$5,841	\$25,312	\$31,153
Carpinteria	8.11%		\$14,890	\$64,522	\$79,412
Solvang	3.40%		\$6,249	\$27,077	\$33,326
Total	100%	\$244,904	\$183,678	\$795,941	\$1,224,523

CDBG Urban County member cities may fund qualifying projects in their respective communities with their CDBG sub-allocations. Alternatively, they may pool their funds with the County if no projects or programs are proposed in their cities during the forthcoming Action Plan fiscal year. Priority is given to projects that are ready-to-proceed with all resources identified to ensure timely implementation and completion. This ensures that the County meets CDBG timely expenditure deadlines and avoids potential HUD recapture of funds. Any remaining CDBG fund balances for non-public services programs and program income (loan repayments) are added to the following year’s NOFA.

For FY 2023-24, the City of Carpinteria chose to utilize its sub-allocation of CDBG for public services programs and review applications through the City’s process, including final funding approval by City Council. At the March 13, 2023 City Council meeting, two (2) programs were approved for the City’s

pro-rata share of CDBG public services funds. As the other CDBG Urban County participating cities did not recommend capital projects or public services programs for funding with their pro rata allocations, their allocations were added to the County’s funding pool for allocation through the County NOFA process to eligible projects and programs.

HOME Program

The HOME program is utilized primarily for affordable housing development but also allows for Tenant-Based Rental Assistance (TBRA), homebuyer assistance, and other eligible activities. The County retains ten percent (10%) of the annual HOME entitlement allocation for program administration.

FY 2023-24 HOME funding and distribution to each member city is in Table 2 below.

Table 2: Distributions to HOME Consortium Member Cities and required Community Housing Development Organization (CHDO) set-aside

Jurisdiction	Distribution	Admin 10%	FY 23/24 Pro Rata Share for Projects	FY 23/24 Total Funds Available
County		\$129,723		\$129,723
County	40.45%		\$393,562	\$393,562
Buellton	1.43%		\$13,954	\$13,954
Carpinteria	3.86%		\$37,522	\$37,522
Goleta	9.18%		\$89,329	\$89,329
Santa Maria	30.78%		\$299,499	\$299,499
Solvang	1.55%		\$15,123	\$15,123
Lompoc	12.74%		\$123,933	\$123,933
CHDO*	15%		\$194,584	\$194,584
Total	100.00%	\$129,723	\$1,167,506	\$1,297,229

*A CHDO (Community Housing Development Organization) is a private nonprofit, community-based organization that has staff with the capacity to develop affordable housing for the community it serves. HUD requires that 15% of HOME funds be set aside for use by CHDOs which act as the owner, developer, or sponsor of an eligible set-aside activity.

The Cities of Lompoc and Santa Maria generally advise the County on the use of their respective HOME sub-allocations. The other cities pool their funds with the County’s to be allocated via the NOFA process. For FY 2023-24, the City of Santa Maria will utilize \$150,000 in HOME funds for continued implementation of a Tenant-Based Rental Assistance Program utilized for security deposits, with the remaining balance to be utilized for a future affordable housing development project. The City of Lompoc will use its sub-allocation of \$123,933 in HOME funds for a Tenant-Based Rental Assistance Program to be administered by the County Housing Authority. Staff will return to the Board for approval of HOME funds for affordable housing projects as they are ready to proceed.

Action Plan Overview

The FY 2023-24 Action Plan represents the fourth operating year of the 2020-2025 Five Year Consolidated Plan, which articulates overall unmet needs, goals, priorities, objectives, and performance measures under CDBG and HOME. The Consolidated Plan and Action Plan serve as strategic planning documents for programs, projects, and services to address Santa Barbara County's low-income residents' needs utilizing these federal entitlement funds. The Action Plan represents the County's formal grant application to HUD for CDBG and HOME entitlement funds.

Public Comment Period: The draft FY 2023-24 Action Plan was made available for review by the public during a 30-day public comment period, which commenced on March 31, 2023, and concludes at the end of today's public hearing. Any public comments received by HCD were forwarded to the Board of Supervisors for consideration prior to today's hearing. Public comments and any responses by the County will be included in the draft Action Plan as it is finalized. The Action Plan will be revised to incorporate any Board direction. Staff will subsequently submit the final Action Plan to HUD by the May 15, 2023 deadline.

FY 2023-24 Notice of Funding Availability (NOFA) Process

County HCD issued the FY 2023-24 NOFA on November 7, 2022. Applications for CDBG funds were due on January 13, 2023. These applications were vetted for initial threshold eligibility by HCD and forwarded to the Human Services Commission's Allocations Committee and the Capital Loan Committee, as applicable, for funding consideration and recommendation to the Board of Supervisors. NOIs for HOME funds were due on January 31, 2023. The NOFA also included state PLHA and local in-lieu fee funds for affordable housing development, which are not included in the Action Plan and are therefore outside of the scope of this item.

Application Review/Advisory Committees

The Human Services Commission (HSC) is a Brown Act committee created to have three (3) representatives from each Supervisorial District appointed by the respective Board member for a total of fifteen (15) members. The Allocations Committee is comprised of five Commissioners, with one Commissioner representing each Supervisorial District, plus the HSC chair as a non-voting ex-officio member. Currently, the Allocations Committee consists of three Commissioners. The Allocations Committee reviews CDBG Public Services applications and makes recommendations for funding for consideration by the Board.

The Capital Loan Committee (CLC) is a Brown Act committee comprised of six (6) voting members and three (3) non-voting members. It includes representation from North and South County financial/lending institutions, Public Housing Authorities, the County Auditor-Controller and Treasurer-Tax Collector's offices, as well as subject matter experts in the field of housing and community development and/or finance. HCD appoints members from each sector to the CLC. The CLC advises on housing and capital projects and makes recommendations for funding for consideration by the Board.

CDBG Applications - Public Services

HCD received twenty-six (26) public services program applications representing \$774,439 in requests; this includes Santa Barbara County and four (4) Carpinteria applications. Carpinteria's applications were provided to city staff for their internal review and allocation process. The Carpinteria City Council approved two projects for funding at its March 13, 2023 council meeting. Subsequent to threshold

eligibility review, County applications were provided to the Human Services Commission’s Allocations Committee for consideration and determination of funding recommendations.

The Allocations Committee met on March 2, 2023 to hear applicants’ presentations on their program proposals and to determine funding recommendations. The Allocation Committee’s 2023-24 CDBG public services program funding recommendations for consideration and approval by the Board are listed in Table 3 below. A summary list of all 2023-24 CDBG public services applications received is included as Attachment D to this staff report.

Table 3: Santa Barbara County CDBG Public Services Funding Recommendations

Applicant	Project	Service Area	Funding Recommendation
Channel Islands YMCA	Noah’s Anchorage Youth Crisis Shelter	Countywide	\$20,000
Legal Aid Foundation of Santa Barbara County	Family Violence Prevention Program	North County	\$23,000
New Beginnings (NBCC)	Safe Parking Shelter and Rapid Rehousing Program	Countywide	\$25,788
Partners in Housing Solutions, Inc	Partners in Housing Solutions	Countywide	\$20,000
People’s Self-Help Housing Corporation	Camino Scholars Carpinteria Learning Center	South County	\$7,445
Santa Ynez Valley People Helping People	Valley Wellness	Mid County	\$20,000
Savie Health	Migrant Farmworker Outreach, Healthcare, and Case Management	North County	\$20,000
Showers of Blessing Santa Barbara	Isla Vista Site Shower Program	South County	\$20,000
United Boys & Girls Clubs of Greater Santa Barbara County	Power Hour at Buellton Unit	Mid County	\$20,000
United Boys & Girls Clubs of Greater Santa Barbara County	Power Hour at Carpinteria Unit	South County	\$7,445
TOTALS:			\$183,678

CDBG Applications - Capital and Other Projects

The County received five (5) capital project applications and one (1) homeowner rehabilitation program application, representing \$2,040,979 in requests. HCD staff reviewed the applications considering the following criteria:

1. Project Readiness to Proceed and Timeline

2. Project Budget
3. Amount of Request / Percent of CDBG Funds to Total Project Budget
4. Level of Environmental Review Required
5. Population to be Served
6. Community Need
7. Staff Capacity and Experience in Capital Project Management
8. Applicant Financial Capacity

The Capital Loan Committee was convened on February 16, 2023, at which time the CLC made funding recommendations for Board consideration and final approval.

Table 4 below shows staff and CLC recommendations; a brief description of each project is included as Attachment E to this staff report.

Table 4: CDBG Capital and Other Project Recommendations

Organization	Project	Project Area	Funding Request	Funding Recommendation
County General Services	Bridge House Utility Extension	Lompoc	\$700,000	\$280,000*
Domestic Violence Solutions	Safety Upgrades	Santa Barbara	\$24,101	\$24,101*
Girls Inc. of Carpinteria	Kitchen Renovation	Carpinteria	\$410,000	\$300,000
PATH	Santa Barbara Emergency Shelter Phase IV Facility Improvements	Santa Barbara	\$661,993	\$371,000
Santa Ynez Valley Senior Citizens Foundation	Senior Center Renovation	Buellton	\$184,885	\$184,885*
Habitat for Humanity	Low-Income Homeowner Home Repair Program	Unincorporated South Santa Barbara County	\$60,000	\$0**
Total Project Recommended Amounts				\$1,159,986

*Funding for the County General Services Bridge House Utility Extension project, Domestic Violence Solutions Safety Upgrades project, and \$38,283.82 of the Santa Ynez Valley Senior Citizens Foundation Senior Center Renovation project will be provided via the 2022-23 Action Plan Amendment.

**Habitat for Humanity’s Homeowner Home Repair Program is funded with prior-year County CDBG and PLHA funds, which are expected to provide sufficient funds for the program to operate in FY 2023.

Any CDBG funds remaining after the award of funds to projects will be added to the following year’s NOFA for award to eligible projects.

Available County Housing Funds

The NOFA included available HOME, In-Lieu Fees and Permanent Local Housing Allocation (PLHA) funds for application. In addition, loan repayments (program income) collected in the prior year are added to the available funds. In total, \$12,481,910 was made available. Of this amount, \$1,167,506 is the amount of FY 2023 HOME funds allocated to the County and included in the Action Plan.

Housing Development Applications

Pursuant to the 2023-24 County NOFA, HCD received thirteen (13) housing project proposals requesting County funding in the aggregate amount of \$18,253,941. At a Capital Loan Committee meeting held on February 16, 2023, the Committee recommended five (5) projects for funding, and an additional three (3) at a March 30, 2023 meeting.

During COVID, little development occurred due to supply chain issues and, in response, HUD waived HOME commitment deadlines. During this inactive period, HCD's available HOME and PLHA funds remained unused. In 2023, as noted by the number of applications received, development is on the rise again, despite rising construction costs, borrowing costs, and cost of construction materials, supplies and equipment. Consequently, developments need more funding from the County than has been required in the past.

The Capital Loan Committee recommended reservations of funding for the following projects, which in the aggregate amount to \$10,888,000 in County funding. Project-specific amounts are listed below:

Developer/ Project Title	Number of Units/ Population/ Occupants/	Amount Requested	HCD/CLC Rec.	Funding Source	Project Location
Palm Communities, Santa Barbara County Housing Authority/SURF - <i>Polo Village</i>	49 units Families Veterans, Homeless, At-risk of Homelessness	\$1,250,000	\$1,250,000	HOME	City of Buellton
Cabrillo Economic Development Corporation - <i>Village Senior Apartments</i>	50 Units Seniors/Senior Veterans	\$2,395,941	\$2,000,000	HOME	City of Buellton
Peoples' Self Help Housing Corporation - <i>Buellton Garden Apartments</i>	89 units, Family/Farmworker	\$1,780,000	\$1,500,000	HOME/CHDO	City of Buellton
Sanctuary Centers - <i>Hollister II</i>	34 Studio Apartments Homeless/At Risk of Homelessness	\$1,500,000	\$1,400,000	PLHA	City of Santa Barbara
Santa Barbara County Housing Trust Fund - <i>3D Printed Home</i>	One 3-bd, Single Family Residence Low-income Household	\$440,000	\$250,000	PLHA	City of Goleta
Cabrillo Economic Development Corporation - <i>Brisa Encina</i>	49 Units/ Veterans, Special Needs, Families, Homeless, At-risk of Homelessness	\$1,500,000	\$1,500,000	HOME	Unincorporated North County Lompoc
Housing Authority of the County of Santa Barbara - <i>Patterson Point</i>	24 Studio Apartments, Homeless	\$1,488,000	\$1,488,000	HOME/PLHA	Unincorporated South County Goleta

Housing Authority of the County of Santa Barbara - <i>Perkins Place Apartments</i>	33 Units Family/Farmworker	\$1,500,000	\$1,500,000	HOME	Rural - New Cuyama
Totals		\$11,853,941	\$10,888,000		

Once final funding is acquired, these projects represent production capacity of 329 affordable housing units. As they move forward, staff will return to the Board for either a formal reservation of funds for submittal with tax credit applications or to execute loan agreements, as applicable.

Performance Measure:

HCD staff monitors the performance of all awardees. Public services program subrecipients are required to report to HCD on a quarterly basis. Subrecipients must also provide documentation supporting expenditures of funds and confirm cost-eligibility of expenses for which they expect to be reimbursed with federal, State, or County funds. For CDBG capital projects, HCD staff monitors construction progress to assure the project is in-line with the scope of work, schedule, and budget. Funds are allocated on a cost-reimbursement basis with associated documentation confirming cost-eligibility and compliance with funding regulations. Staff conducts annual monitoring of facilities improved with CDBG funds for a five-year minimum use period and housing projects per the term of the County’s Regulatory Agreement. Housing developed with HOME, PLHA, and/or County in-lieu funds may enter into a loan agreement with the County, subject to future Board approval.

Fiscal and Facilities Impacts:

CDBG and HOME funds are federal entitlement block grants awarded annually to Santa Barbara County pursuant to Congressional budget appropriation. PLHA funds are allocated by the State. HCD awards federal and state funds and local in-lieu fees to development projects. County HCD retains ten percent (10%) of HOME, twenty percent (20%) of CDBG funds, and five percent (5%) of PLHA funds for respective program administration. The cost of preparing the Action Plan and related documents are included in HCD’s annual budget.

Key Contract Risks:

Board-approved projects will have contracts executed between the County and the subrecipients. For projects to be implemented by other County departments, HCD enters into a Memorandum of Understanding (MOU) with the Department to ensure internal compliance with HUD requirements.

For federally funded HOME and CDBG projects, the County could be subject to repaying federal funds, from non-federal source(s), if HUD finds that the County or its subrecipients expended funds inconsistent with regulations or otherwise did not comply with federal requirements. The County monitors loans and grants made to subrecipients for compliance with federal regulations. Real property improved, in whole or in part with CDBG funds, must continue to meet a CDBG National Objective for a period of at least five years. Failure to meet the five-year period may result in County reimbursement of the CDBG funds expended plus a percentage of the increase in market value attributable to the investment of CDBG funds. HOME program rules also impose a long-term affordability period for multi-family and other types of housing projects, and failure to meet the long-term affordability requirements may result in HUD requiring repayment by the County of the full amount of HOME funds invested. HCD monitors the financial condition and the use of real property for the duration of the required periods.

Staffing Impacts:

The federal programs are administered by existing HCD staff with the support of County Counsel and other County departments including the CEO, Auditor-Controller, Risk, General Services, and Community Services/Parks.

Special Instructions:

Please return a copy of the Minute Order and signed Resolution (Attachment C) to James Francis at jfrancis@countyofsb.org, ext. 83549.

Attachments:

A: Draft 2023-24 Action Plan

B: Draft 2022-23 Substantial Amendment

C: Authorizing Resolution

D: List of CDBG Public Services Applications Received

E: List of CDBG Capital Applications Received

F: List of Housing Development Projects Not Recommended at This Time