



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: Behavioral Wellness
Department No.: 043
For Agenda Of: September 15, 2020
Placement: Administrative
Estimated Time:
Continued Item:
If Yes, date from:
Vote Required:

TO: Board of Supervisors

FROM: Department Alice A. Gleghorn, PhD, Director
Director(s) Department of Behavioral Wellness (805) 681-5220
Contact Info: Pamela Fisher, PsyD. Deputy Director of Clinical Operations,
Department of Behavioral Wellness, (805) 681-5220
Laura Zeitz, RN, Division Chief, Housing, Placements and Inpatient
Department of Behavioral Wellness, (805) 681-5220

SUBJECT: Approval for the County of Santa Barbara to adopt a revised resolution authorizing the Department of Behavioral Wellness to act on behalf of the County in connection with the award of State No Place Like Home (NPLH) Program funds.

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Adopt a revised Resolution (Attachment A), as required for a No Place Like Home (NPLH) application, that authorizes the Director of the Department of Behavioral Wellness, or her designee, to act on behalf of the County in connection with an award of NPLH competitive loan funds from the California Department of Housing and Community Development (State HCD) to the Housing Authority of the County of Santa Barbara, and to enter into, execute, and deliver any and all documents required or deemed necessary or appropriate to evidence the loan of NPLH Program funds, the County's obligations related thereto, and the State HCD's security therefore, for the proposed development of supportive affordable housing (Hollister Lofts) (APN 061-040-030); and
- B. Approve and authorize the Director of Behavioral Wellness, or designee, unless otherwise directed by the Board, to act on behalf of County in connection with the \$4,822,998 award of NPLH Program loan funds to the Housing Authority for the County of Santa Barbara for its proposed Hollister Lofts development; and

- C. Direct the Director of Behavioral Wellness, or designee, to return to the Board for further direction prior to exercising the authority delegated to her pursuant to Recommended Actions A and B and to obtain concurrence from Risk Management, the Auditor-Controller, and County Counsel before exercising the authority; and
- D. Determine that the 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 action is the creation of a governmental funding mechanism or other government fiscal activity, which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment and the Public Resources Code section 21163.1 finding that a decision by a public agency to seek funding from, or the Department of Housing and Community Development's awarding of funds pursuant to, the No Place Like Home Program does not constitute a "project".

Summary Text:

The Housing Authority of the County of Santa Barbara (Housing Authority) proposes to construct 33+/- rental units on property currently owned by the County of Santa Barbara located in the 4500 block of Hollister Avenue, Santa Barbara, California. Forty-nine percent (49%) of the units would be for homeless persons with a diagnosis of a serious mental illness, and the balance of the units would be for homeless persons with incomes at or below 60% area median income (AMI). On November 5th, 2019, the Board determined that development of Hollister Lofts would serve the social needs of the population of the County and that a portion of the property would not be needed for County purposes and approved and authorized the Chair to execute an exclusive negotiations agreement between the County and the Housing Authority.

NPLH program regulations require a development sponsor to submit a joint application with a county who is required to commit to provide mental health services to NPLH tenants residing at Hollister Lofts for a period of twenty years. On December 17th, 2019, the Board directed the County, through the Director of Behavioral Wellness (Be Well), to submit a joint application with the Housing Authority for competitive State HCD NPLH funds to help finance development of Hollister Lofts. The Housing Authority and Be Well applied for competitive funds for Hollister Lofts on January 8th, 2020 and were notified by State HCD that they had been awarded \$4,822,998 in competitive funding on June 27th, 2020.

Approval of the recommended actions would authorize and direct the Director of Be Well (Director) to act on behalf of the County in connection with the award of NPLH Program funds, including to execute documents as necessary to evidence the loan of NPLH Program funds, the County's obligations related thereto, and the State HCD's security therefore. Additionally, the Director would return to the Board for further direction prior to exercising the authority delegated to her pursuant to Recommended Actions A and B above.

Background:

On October 12, 2018, the County Community Services Department, Division of Housing and Community Development (HCD), published a NOFA to solicit applications for grants and loans for affordable housing developments and other capital projects, and for a variety of human services and homeless programs. Staff returned to the Board on an as-needed basis for projects and programs utilizing Federal, State and/or local funds for housing development. For FY 2019-2020, new State funding streams were incorporated into the County's annual NOFA process, including the NPLH program which changed how funding under the Mental Health Services Act (MHSA) is administered.

On July 1, 2016, Governor Brown signed legislation enacting NPLH to dedicate up to \$2 billion in bond proceeds to invest in the development of permanent supportive housing for persons with serious mental

illness and are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness. The bonds are repaid with MHSA funds. The State is allocating funds to counties on a competitive and non-competitive basis. Funding can be used for acquisition, construction, or rehabilitation of housing, and to subsidize extremely low rent levels over 20 years. The State issued Round 2 of the competitive allocation NOFA for NPLH funds, in the amount of \$622 million, on September 27th, 2019.

On December 17th, 2019, the Board directed the County, through the Director, to submit a joint application with the Housing Authority for the competitive NPLH funds to help finance development of Hollister Lofts including submitting a draft Memorandum of Understanding and draft Supportive Agreement with the Housing Authority whereby the County agreed to provide supportive services to applicable tenants at Hollister Lofts for a period of 20 years; and authorized the Chair to execute a resolution authorizing the Director to submit the joint application and to enter into, execute, and deliver any and all documents required or deemed necessary or appropriate to evidence the loan of NPLH Program funds, the County's obligations related thereto, and the State HCD's security therefore with the County's added language "subject to final approval by the County Board of Supervisors at a future date." Upon the Board's direction, the County submitted the joint application with the Housing Authority on January 8th, 2020 and was awarded \$4,822,998 in competitive NPLH funds towards developing Hollister Lofts. This Board Letter is recommending that the Board adopt a revised resolution removing the County-added language.

The County would be required to enter into a Standard Agreement in a form substantially similar to the attached "Round 1 Standard Agreement" (Attachment B) with the State and Housing Authority. Although the County would be a party to the Standard Loan Agreement, the NPLH funds would be loaned directly to the Housing Authority as the developer-borrower. Upon execution of the Standard Agreement, the County would be jointly and severally liable to the State for the compliant use of the funds.

The proposed Hollister Lofts development would be located at APN 061-040-030 in the 4500 block of Hollister Avenue, Santa Barbara, California (site). While in preliminary design stages, Hollister Lofts will consist of approximately 33 rental units, 49% of which would be NPLH units for persons with serious mental illness who are homeless, chronically homeless, or at-risk of chronic homelessness. All other units will be restricted to formerly homeless persons with household incomes that are at or below 60% AMI. The manager's unit would not be subject to rent and income restrictions. BeWell would provide required services to NPLH tenants either onsite or at another easily accessible location.

After the Housing Authority and Be Well applied to the State for competitive NPLH funds, the Housing Authority commenced pre-development activities, including performing feasibility studies, obtaining an appraisal of the site from an independent third-party appraiser, and obtaining documentation required to apply for other funding, including low-income housing tax credits.

In order to develop Hollister Lofts, the site will need to be re-zoned, which will be completed during the entitlement process. If Hollister Lofts receives entitlement approvals, the development would be reviewed by the County's Capital Loan Committee (CLC) for feasibility, based on review of the construction budget, funding sources, and projected 15-year operating proforma, and consideration of a recommendation of approval by the Board of Supervisors. Staff would return to the Board for approval of any negotiated purchase agreement with the Housing Authority for the property. Staff would also return to the Board for approval of any County administered funds that may be proposed to help finance Hollister Lofts, which may include execution of loan documents including a Promissory Note, Deed of Trust and Regulatory Agreement to protect the County's interests. Potential funding sources include federal HOME funds and County In-Lieu affordable housing funds.

Total costs to develop Hollister Lofts are currently projected to be approximately \$14,868,744.00

Performance Measures:

The County is also responsible for documenting the number of individuals experiencing homelessness or at imminent risk of homelessness served by the program funds. In order to be in compliance with the State as the Lead Service Provider of supportive services, BeWell will monitor the provisions of services to NPLH tenants. The Housing Authority would submit an independent audit for Hollister Lofts, prepared by a certified public accountant and in accordance with the requirements of the State's current audit requirements. Also, on an annual basis, BeWell would submit data for each NPLH assisted unit. This data may be, but is not required to be, gathered from the Santa Barbara County Homeless Management Information System. Increased service capacity, decreased unsheltered homeless persons and any increase in the number of homeless persons entering permanent housing attributable to the Hollister Lofts would be incorporated into the annual report.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

The total cost to develop Hollister Lofts is currently projected to be approximately \$14,868,744.00. The NPLH award of \$4,822,998 in NPLH funds is a post-construction, permanent loan underwritten and held by the State as lender and loaned directly to the Housing Authority as the developer-borrower. The Housing Authority will apply for 9% low income housing tax credits and could also seek federal HOME funds and County In-Lieu affordable housing funds.

The supportive service to be provided to NPLH tenants by the County would be funded by ongoing State Mental Health Service Act (MHSA) revenues.

Key Contract Risks:

The State provided a Standard Agreement template based on the first round of NPLH funding (Attachment B) which is subject to revisions by the State for Round 2 NPLH funding. Based on the "Round 1" template, the County would be jointly and severally liable for the obligations of the Housing Authority and any limited partnership created by the Housing Authority to facilitate financing. The Standard Agreement must be executed within 8 years from the date of the State's funding award letter, at which time the status of the Hollister Lofts development will inform the risk of the County incurring any costs to complete it prior to execution. BeWell will return to the Board for further direction prior to exercising the authority delegated to the Director pursuant to Recommended Actions A and B above.

This loan would have an initial term of 55 years, or longer if necessary to match the period of affordability restrictions under the tax credit program.

Staffing Impacts:

The current requested administrative activity falls within currently budgeted staff duties.

Special Instructions:

Please email one (1) complete executed contract and one (1) minute order for each vendor to dmorales@co.santa-barbara.ca.us, and bwelcontractsstaff@co.santa-barbara.ca.us.

Attachments:

- Attachment A: NPLH Resolution
- Attachment B: Round 1 Standard Agreement

Authored by:

Natalia Rossi/dm