



**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

Submitted on:
(COB Stamp)

Department Name: Behavioral Wellness
Department No.: 0043
Agenda Date: December 17, 2024
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Director(s): Antonette Navarro, LMFT, Director, Department of Behavioral Wellness, 805-681-5220

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Contact Info: Laura Zeitz, RN, Assistant Director and Division Chief of Housing Placement/
Psychiatric Health Facility, Department of Behavioral Wellness, 805-681-5220

SUBJECT: **California Department of Housing and Community Development Standard Agreement with Hollister Lofts, L.P., Housing Authority of the County of Santa Barbara (HASBARCO), and Surf Development Company for No Place Like Home Competitive Allocation Round 2 Funds for the Hollister Lofts Project; and Memorandum of Understanding and Mental Health Supportive Services Agreement with Hollister Lofts, L.P. and HASBARCO in connection with the award of No Place Like Home funds for the Hollister Lofts Project (Supervisorial District 2).**

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence:

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Approve and authorize the Director of the Department of Behavioral Wellness to execute, on behalf of the County, California Department of Housing and Community Development (State HCD) Standard Agreement No. 20-NPLH-14582 (Attachment A) with Hollister Lofts, L.P. (Partnership), Housing Authority of the County of Santa Barbara (HASBARCO), and Surf Development Company as joint applicants for No Place Like Home program (NPLH) Competitive Allocation Round 2 funds for the Hollister Lofts affordable housing project, located at 4540 South Hollister Avenue, Santa Barbara, California, APN 061-040-030 (Project), in an amount of **\$4,822,998** for a term of thirty (30) years from the effective date of the State HCD Agreement;
- b) Approve and authorize the Director of the Department of Behavioral Wellness or designee to execute any amendments to Standard Agreement No. 20-NPLH-14582 and any and all other documents required or deemed necessary to secure NPLH Round 2 grant funds and participate in the NPLH Program without having to return to the Board for approval, subject to the Board’s authority to rescind this delegated authority at any time;

- c) Direct the Director of the Department of Behavioral Wellness or designee to obtain concurrence from Risk Management, Auditor-Controller, and County Counsel before exercising the delegated authority under Resolution No. 24-70, adopted April 2, 2024, and the above recommended action “b”;
- d) Approve and authorize the Director of the Department of Behavioral Wellness or designee to execute, on behalf of the County, a Memorandum of Understanding (MOU) with Partnership and HASBARCO that identifies the roles and responsibilities of the County, the project owner, and the property manager and commits the County’s provision of mental health supportive services for a period of twenty (20) years to NPLH tenants residing at the Project (Attachment B);
 - i. Delegate to the Director of the Department of Behavioral Wellness the authority to make immaterial changes to the MOU per section VII.B. of the MOU without requiring the Board’s approval of an amendment of the MOU, subject to the Board’s ability to rescind this delegated authority at any time;
- e) Approve and authorize the Chair to execute a Mental Health (MH) Supportive Services Agreement with Partnership and HASBARCO for the County’s provision of mental health supportive services to eligible NPLH tenants residing at the Project, wherein County shall be compensated **\$84,000** annually, subject to 3% annual increases thereafter, for a period of twenty years (Attachment C); and
- f) Determine that the recommended actions are not a project subject to the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15378(b)(4), finding that the actions are 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 Public Resources Code section 21163.1, which states that a decision by a public agency to seek funding from the NPLH Program does not constitute a “project.”

Summary Text:

This item is on the agenda to request approval for the Director of the Department of Behavioral Wellness (BWell) to execute, on behalf of the County, the Standard Agreement No. 20-NPLH-14582 with the California Department of Housing and Community Development (State HCD), Housing Authority of the County of Santa Barbara (HASBARCO), and Surf Development Company, as well as any other documents which are related to the No Place Like Home (NPLH) program, and program funds awarded to the County in the amount of \$4,822,998 for the development of thirty-four (34) permanent affordable residential housing units at 4540 South Hollister Avenue, Santa Barbara, California (APN 061-040-030). The County is a party to the Standard Agreement, however, the NPLH funds will be loaned directly to HASBARCO (though the ultimate borrower is Hollister Lofts, L.P.).

In addition, BWell requests approval of a MH Supportive Services Agreement with Partnership and HASBARCO for the County’s provision of mental health supportive services to eligible NPLH tenants residing at the Project and approval of an MOU with HASBARCO and Partnership.

Background:

On July 1, 2016, Governor Brown signed landmark legislation enacting the NPLH program to dedicate up to \$2 billion in bond proceeds to invest in the development of permanent supportive housing for persons who are in need of mental health services and are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness. NPLH provides funding and tools that allow the State HCD to address affordability issues associated with creating housing units that are specifically set aside for persons with serious mental illness who are chronically homeless, homeless, or at-risk of being chronically homeless. Under the NPLH program, State HCD provides capital assistance to reduce necessary debt service payments, therefore reducing operating costs and needed rent levels. State HCD may make loans to reduce the initial cost of acquisition and/or construction or rehabilitation of housing and may set funds aside to subsidize extremely low rent levels over time.

The acquisition, construction and 20-year rent subsidization for the proposed Project, by the Buyer, is being partially funded from a competitive pool of approximately \$245 million in State NPLH funds that were made available on a competitive basis to all medium-sized counties, such as Santa Barbara County. In order for funds to be awarded for the proposed Project, Behavioral Wellness (BWell) partnered with the County’s Housing

and Community Development Division and published a Notice of Funding Availability 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 eligible for NPLH funds. On November 5, 2019, the Board of Supervisors approved and authorized the Chair to execute the Agreement between the County and Housing Authority of the County of Santa Barbara (Housing Authority), a public body constituting a nonprofit association, thus meeting the requirements of County Code section 12a-10.3, which granted the Housing Authority, for a period of three (3) years, exclusive rights to negotiate with the County in good faith for acquisition for a portion of County-owned property to enable the Housing Authority to apply for State of California NPLH competitive funds and other financing for the proposed Project. The Housing Authority and BWell applied for competitive funds for the Project on January 8, 2020, and were notified by the State Housing and Community Development that they had been awarded \$4,822,998 in competitive funding on June 25, 2020.

On April 2, 2024, the Board of Supervisors approved and authorized the Chair to execute an extension of the exclusive rights to negotiation agreement between the County and the Hollister Lofts L.P. ("Partnership" previously referred to as Buyer) for an additional twelve-month period.

On October 4, 2024, the Board of Supervisors approved and authorized the Chair to execute an extension of the exclusive rights to negotiation agreement between the County and the Housing Authority for an additional twelve-month period authorizing and directing the Director of General Services to send written extension notification to the Housing Authority. The twelve-month extension granted the Housing Authority the ability to proceed with pre-development activities, including obtaining entitlements, performing feasibility studies, and applying for other funding required to complete the Project, such as low-income housing tax credits.

Board Approval to Apply for NPLH Funds

On September 27, 2019, the State issued a notice of available NPLH Round 2 funding. On December 17, 2019, the Board of Supervisors adopted a resolution (No. 19-321 for competitive funding) that authorized the County to submit joint applications with HASBARCO to the State HCD for NPLH loan funds. Surf Development Company was awarded a competitive allocation award in the amount of \$4,822,998.

Project Sponsor

The Hollister Lofts permanent housing construction project is being supported by the County of Santa Barbara's Behavioral Wellness and Housing and Community Services Department, Housing and Community Development Division. Funding for this specific No Place Like Home loans will be provided by the State directly to HASBARCO. As a requirement for receiving funds, HASBARCO will partner with Behavioral Wellness (BWell) to provide supportive services for BWell clients at the new facility.

HASBARCO has partnered with BWell on six previous, similar projects that are in operation, and has three additional apartment developments planned with NPLH and similar State funding now in development. The housing retention rate in the existing projects is over 90% per year and the average length of stay is averaging nearly seven years, demonstrating the broad success of permanent supportive housing with adequate and appropriate services.

Permanent Housing Loan

On April 2, 2024, the Board approved a Permanent Housing Loan (24-070) in the amount of \$2,057,850 from the County Department of Housing and Community Development (HCD).

State HCD Standard Agreement No. 20-NPLH-14582

State HCD issued a standard agreement 20-NPLH-14582 with the Partnership, County, Surf Development Company, and HASBARCO as parties. All parties will sign the Standard Agreement following Board approval of this item and issuance of the Minute Order.

Memorandum of Understanding

A component of the NPLH application was to provide a draft MOU identifying the roles and responsibilities of the County, the project owner, and the property manager. BWell provided that draft MOU to the BOS on December 17, 2019, for informational purposes only. BWell is now returning for approval to execute a final MOU.

Mental Health Supportive Services Agreement

Subject to Board approval, Partnership, HASBARCO and County will enter into an MH Supportive Services Agreement by which County will provide mental health supportive services to eligible NPLH tenants residing at the Project. BWell will coordinate the provision or referral to other services, including but not limited to, mental health and substance use services, for a minimum of 20 years in accordance with the Board’s April 2, 2024 adopted Resolution (No. 24-70). County shall commence performance upon the Project receiving its certificate of occupancy and end performance 20 years thereafter, unless earlier terminated. County will provide a minimum of 0.80 full time BWell or County-contracted case manager on a reimbursement basis as described below.

In full consideration for County's services, the County will be reimbursed for its services under the MH Supportive Services Agreement. Reimbursement for services will be made by HASBARCO, as property manager of the Project and on behalf of the Hollister Lofts, L.P., to the County, on a quarterly basis. HASBARCO anticipates using the net operating income to reimburse County for services.

Project Status

HASBARCO plans to start construction in June 2025, with a construction sequence of 24 months, with completion targeted for June 2027. The Project residential funding sources are set forth in Fiscal Table below.

Performance Measure:

HASBARCO will submit to State HCD annual compliance and performance reports, and independent audits for Hollister Lofts, prepared by a certified public accountant and in accordance with the required California State audit requirements.

All NPLH projects are required to utilize the Coordinated Entry System (CES) as the primary marketing method and to report the attainment of housing retention goals under the Homeless Management Information System (HMIS), which is sponsored by the County Housing and Community Services Continuum of Care. This data may be, but is not required to be, gathered from the Santa Barbara County Homeless Management Information System. HASBARCO will report increased service capacity, decreased unsheltered homeless persons, and any increase in the number of homeless persons entering permanent housing attributable to Hollister Lofts. The County will submit an annual report for each of the NPLH-assisted units.

Fiscal and Facilities Impacts:

Budgeted: No

Fiscal Analysis:

Funding Sources	BWELL Revenue	State Loan to HASBARCO
General Fund		
Federal		
State		\$ 4,822,998
Fees		
Other:	\$ 84,000	
Total	\$ 84,000	\$ 4,822,998

Funds received from the non-competitive NPLH award will be loaned directly by State HCD to HASBARCO upon execution of the Standard Agreement 20-NPLH-14582. No award funds will flow through the County. Supportive Services will be provided by the County and the cost for these services will be paid by HASBARCO with operating revenue, but offset by any Medi-Cal revenues. The estimated revenue is \$84,000 with a 3% CPI.

Key Contract Risks:

The State, County, and HASBARCO will enter into the NPLH Standard Agreement which constitutes a conditional commitment of NPLH funds and requires the County to comply with the requirements and provisions of the Program statutes, the NPLH Guidelines, and generally applicable state contracting rules and requirements. The County would be jointly and severally liable for all obligations of Partnership and HASBARCO. BWell will monitor the provisions of services to NPLH tenants required by NPLH, as outlined in the MH Supportive Services Agreement. Please note that the loan is to the Partnership, not the County. Once the Standard Agreement is executed, the status of the Hollister Lofts development will inform the risk of the County incurring any costs to complete it prior to execution.

The NPLH allocation will be awarded to Hollister Lofts as a post-construction, permanent loan underwritten and held by the State as lender. This loan will have an initial term of 55 years. BWell will monitor the provision of services to NPLH tenants required by NPLH, as outlined in a Memorandum of Understanding with HASBARCO to be executed with the Mental Health Support Services Agreement.

Staffing Impacts:

FTEs: The current requested administrative activity falls within currently budgeted staff duties. Support Services needs will be evaluated once the project nears completion.

Special Instructions:

Please return one (1) Minute Order and one (1) Supportive Services Agreement to Shannon Lewis at slewis@sbcbswell.org and to the BWell Contracts Division at bwellcontractsstaff@sbcbswell.org.

Attachments:

Attachment A — Standard Agreement No. 20-NPLH-14582 (Hollister Lofts, Round 2 Competitive)

Attachment B — Memorandum of Understanding

Attachment C — Mental Health Supportive Services Agreement

Authored by:

S. Lewis
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