



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: 12/8/2020
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)
Contact Info: Dinah Lockhart, Deputy Director HCD (805) 568-3523
SUBJECT: Approve and Execute a First Amendment to the Subrecipient Agreement for Homekey Studios at 117 North B Street in Lompoc (Supervisory District 4)

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. Approve and authorize the Chair to execute the original and duplicate original First Amendment (Attachment 1) adding \$400,000 in CARES Act funds to the existing \$1.5 million Subrecipient Agreement between the Housing Authority of the County of Santa Barbara and County of Santa Barbara for a revised contract amount not to exceed \$1.9 million for the construction of the 15 unit Homekey Studios project in Lompoc; and
- B. Determine that the recommended actions are part of a project that is exempt from the California Environmental Quality Act (CEQA), pursuant California Health and Safety Code Section 50675.1.2 as determined by the Board on September 22, 2020, finding that the proposed "Homekey" project is to provide housing for individuals and families who are experiencing homelessness or who are at risk of homelessness and who are impacted by COVID-19 and that the project satisfies the requirements of Section 50675.1.2 as detailed in the notice of exemption for this project filed per direction of the Board on September 22, 2020 (Attachment 2).

Summary Text:

On October 13, 2020, the Board of Supervisors approved an Agreement with the Housing Authority of the County of Santa Barbara (Housing Authority) awarding \$1,500,000 of CARES Act funds to acquire and redevelop an existing County owned office building in order to create fifteen (15) rental units at 117 North B Street, in Lompoc (the “Property”). Fourteen (14) of the units are for persons who are homeless or at-risk of homelessness with incomes at or below 15% area median income (AMI) and one (1) unit is designated for an on-site manager. Upon completion of interior demolition, certain change orders to the initial construction contract were submitted to the Housing Authority, revealing a construction budget shortfall of approximately \$630,000. The increase in costs is attributable to the addition of appliances and interior demolition to the scope of work, with associated increases in architecture, engineering and contingency line-items. The Amendment (Attachment 1) adds \$400,000 in additional CARES Act funding to the construction budget line-item of the Subrecipient Agreement, bringing the total grant amount to \$1,900,000. The remaining \$218,000 construction budget deficit will be borne by the Housing Authority if additional HomeKey funds cannot be secured from the State. Total project cost is now \$4,693,918.

Background:

Homekey

In response to the impact of the COVID-19 pandemic on the State’s homeless and vulnerable populations, under AB 83, the State is making available \$600 million state wide to provide housing for persons experiencing homelessness. The \$600 million consists of \$550 million in federal Coronavirus Relief Fund (CRF) and \$50 million is State General Fund (GF) to supplement acquisition and provide initial project operating subsidies. The Homekey Program requires local matching funds, after an initial State Homekey grant of \$100,000 “per door” of eligible units that will be developed and made available to eligible residents. Costs of acquisition and development for \$50,000 in excess of the initial \$100,000 per door, requires the applicant provide a 1:1 match, and costs in excess of \$150,000 per door, the State provides matching funds at a 2:1 match ratio, with applicants supplying \$2 for every \$1 State contribution. Applications submitted by the ‘priority’ deadline of August 13, 2020 are eligible to compete within the geographic set-aside funding and further qualify for Tier 1 consideration. Tier 1 consideration applies to permanent housing projects that can be occupied 90 days from the time the property is acquired or leased. All Homekey project funds must be expended by December 30, 2020. State HCD has advised the Housing Authority that a key milestone in compliance with Homekey regulations is that 8 of the 15 units be completed and occupied before December 30, 2020.

County Housing Authority Homekey Application

On August 26, 2020, the County Housing Authority was notified by State HCD that the B Street Homekey Studios project had passed threshold and funds had been reserved. The reservation of Homekey funds was contingent upon additional information being provided to State HCD and project milestones being met. The B Street Homekey Studios application requested \$2,608,639 in State Homekey funds, with a local County match requirement not to exceed \$1,500,000 which was provided in the Subrecipient Agreement approved by the Board on October 13, 2020. Upon commencing construction, the scope of work grew to incorporate appliances and additional interior demolition, with associated increases in architecture, engineering and contingency line-items amounting to an approximately \$630,000 shortfall. The additional \$400,000 CARES Act funds for Homekey Studios in the Amendment may not be characterized as a match requirement to receive the \$2.6 Million of Homekey funds. However, these

additional funds are filling a construction budget gap in order to complete the project before the end of the year, which is a requirement for an award of these State funds. The Housing Authority is working with State HCD to increase the Homekey grant amount by \$218,000 to cover the remaining construction budget deficit, but the Housing Authority is prepared to carry this cost if Homekey funds are not available.

The CARES Act requires that funds “support activities and expenses that promote public health and safety in response to the COVID-19 public health emergency” (State Budget Act of 2020, Section 11.90). The project is an eligible use of CARES Act funds because it provides housing for persons experiencing homelessness who are also at risk of COVID-19. People experiencing homelessness or who are at risk of experiencing homelessness are considered inherently “impacted by COVID-19,” as they are most likely to have a lower life expectancy, be at a higher risk of infectious and chronic illness, and suffer from substance abuse and poor health. County CARES Act funds must be spent for costs incurred prior to December 30, 2020.

Performance Measure:

The B Street Homekey project would provide fourteen (14) critical units of permanent supportive housing for persons experiencing homelessness or at risk of homelessness, and vulnerable to COVID-19. Approval of the Amendment to the Subrecipient Agreement would enable the Housing Authority to complete the Homekey project, and meet the project completion deadline of December 30, 2020. The State of California has reserved funding for the project, and a condition of the State providing a Homekey grant to the Housing Authority is that the Housing Authority execute a regulatory agreement, security instrument, and other documents. State Homekey regulations require that units be restricted to the target population for at least 20 years. The units must be restricted for 55 years as permanent affordable housing.

Fiscal and Facilities Impacts:

Budgeted: Yes. The Amendment (Attachment 1), provides an additional \$400,000 of the County’s federal CARES Act Coronavirus Relief Fund Allocations to allow construction be completed. A condition for the receipt of Homekey funds is that occupancy of eight of the 15 units occur before December 31, 2020, resulting in an extremely compacted development timeline. Notwithstanding cost overruns, construction is on schedule to meet all prerequisites for an award of Homekey funds from the State. County Behavioral Wellness (Be Well) anticipates the operation of B Street Homekey Studios will involve the dedication of a minimum of 0.5 FTE case manager.

Fiscal Analysis:

On July 14, 2020, the Board received a staff report on the federal CARES Act Coronavirus Relief Fund Allocations. Of the \$46.1 million awarded to the County, \$7.5 million was made available to the ‘Care of Vulnerable Populations’. Specifically related to the portion of funding provided counties, the State Department of Finance (DOF) is requiring counties to report on expenditures by September 1st and return any funds that are unspent by December 30, 2020, unless that date is extended by the DOF based on reported expenditures.

Key Contract Risks:

The U.S. Department of Treasury could require the County to repay federal funds expended for ineligible expenses with non-federal funds. The Subrecipient Agreement specifies eligible expenses and County

staff will review each payment request submitted by the Subrecipient to ensure that expenses incurred were for eligible costs. County staff will conduct ongoing monitoring to assure that the Property and construction is being administered in accordance with the Agreement. The State will enter into a separate standard agreement and regulatory agreement with the Housing Authority with a 20 year use requirement for the target population of persons who are homeless or at risk of homelessness. The State also will require that the Housing Authority record a 55-year affordability covenant against the Property.

Staffing Impacts:

The current requested activity falls within currently budgeted staff duties.

Special Instructions:

1. Please return an original copy of the signed Agreement (Attachment 1) and a copy of the Minute Order to Ted Teyber at teyber@co.santa-barbara.ca.us.
2. Please retain an executed original Agreement for COB records.

Attachments:

1. First Amendment
2. 9/22/2020 NOE