



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: November 16, 2021
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: 2021 Homekey Program Application for Hedges House of Hope (Supervisory District 3)

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Risk Management

As to form: Yes

Recommended Actions: That the Board of Supervisors:

- A) Authorize the Community Services Director or designee to submit a grant application in an amount not to exceed \$7,000,000, and all certifications, standard forms, and other related documents to the State of California Department of Housing and Community Development (State HCD) for the 2021 Homekey Program;
- B) Adopt a Resolution authorizing the application to and participation in the Homekey Program and the acceptance and administration of Homekey funds (Attachment 1);
- C) Authorize, as described in the attached Resolution, the Director of the Community Services Department, or designee(s), to execute all certifications, standard forms, and local grant agreement(s), and other related documents required for the acceptance and administration of State Homekey funds, subject to concurrence by Auditor-Controller, County Counsel and Risk Management; and
- D) Determine that the recommended actions are exempt from the California Environmental Quality Act (CEQA) pursuant to California Health and Safety Code Section 50675.1.4, 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 described more fully in Section 50675.1.4.

Summary Text:

The County Community Services Department Housing and Community Development Division (CSD/HCD) proposes to submit a grant application for up to \$7,000,000 in Homekey grant funds for the acquisition and use of the property located at 6549 El Colegio Road in Isla Vista (“Property”) as interim housing for homeless persons. If the application for this State Homekey grant is awarded, County will be required to contribute matching funds for capital costs and to cover operations and service costs for five (5) years. County will also be required to record a use restriction on the Property to operate as interim housing for 15 years, or risk the repayment of awarded State Homekey funds and any penalty.

For capital costs, County will need to contribute matching funds in an amount not to exceed \$1,625,957. County must also provide a reasonable assurance of matching contributions to cover operations and service costs for five (5) years estimated at \$1,229,400 per year, trended upward at 2.5% per year. The Homekey application would provide an estimated \$489,600 in operations funding per year for two years, for a total of \$979,200. On June 15, 2021, the Board already approved a Year 1 operating subsidy of \$1,229,400 in Emergency Solutions Grant Coronavirus and Homeless Housing Assistance and Prevention funds (ESG-CV and HHAP, respectively). Therefore, CSD estimates County would need to contribute a total of \$4,575,817 in matching funds for operations and service costs for Years 2-5 (through 12/31/2026). Potential funding sources for the first 5 years of operations and services are identified in Table 1 below.

Background:

AB 140 (2021) provided the statutory basis for Homekey Round 2, which is administered by the California Department of Housing and Community Development (State HCD). The State has made available approximately \$1.45 billion in Homekey funding. Homekey provides a significant statewide effort to sustain and expand housing for persons experiencing homelessness or at risk of homelessness, and who are inherently impacted by or at increased risk for medical diseases or conditions due to the COVID-19 pandemic. The County’s Homekey Studios project, which rehabilitated a former Behavioral Wellness office building into 15 studio units for formerly homeless persons in 2020, was selected by the State for funding in Round 1. The Notice of Funding Availability for Homekey Round 2 was released on September 9, 2021. Of the \$1.45 billion in Homekey funding, \$1.2 billion is from the State’s allocation of federal ARPA funds and \$250 million is State General Fund. The \$250 million in State General Fund is intended to supplement the acquisition of, and to provide initial operating subsidies for, Homekey sites to promote project feasibility. Projects receiving an award from the State’s direct allocation of ARPA must expend the funds within eight months of the date of award. The portion of a project’s award associated with State General Fund must be expended by June 30, 2026.

To help ensure equitable distribution of Homekey funds throughout the State, the State created eight regions, with Santa Barbara County falling into the Central Coast region, along with Monterey, San Benito, San Luis Obispo, and Santa Cruz counties. Using a formula that considers a 2019 Point-In-Time count, and the number of extremely low-income renter households, the Central Coast region was allocated \$35.6 million in ARPA funds and \$7.4 million in State General Funds. Other set-asides were established for Homeless Youth and Tribal Entities. State HCD established a four-month period from the NOFA release date of September 9, 2021 through January 31, 2022, as a prioritization period for applications submitted ‘over the counter.’ After January 31, 2022, State HCD will unreserve geographic set-asides, and begin funding applications statewide. To encourage timely applications, State HCD will award a bonus for applications submitted by January 31, 2022. Eligible applicants are cities, counties, cities and counties, Local Public Entities, councils of government or tribal entities. The application allows for governmental entities to apply independently or jointly with a nonprofit or for-profit corporation as a co-

applicant. Good Samaritan Shelters, Inc. (“Good Samaritan”) is co-applicant with the County on the Homekey application.

On June 15, 2021, the Board approved a lease agreement with El Colegio 6549, LLC to establish an emergency shelter at 6549 El Colegio Road, Goleta, CA, which commenced on June 15, 2021 through May 31, 2022, with a monthly rent of \$31,500. The lease includes an option to extend the term of the lease for one additional year from June 2022 through May 2023. The Board also approved the execution of an Option Agreement as an attachment to the lease, which provides for the County’s option to purchase the property at 6549 El Colegio Road for a purchase price of \$6.3 million, conditioned on closing occurring on or before December 30, 2021. The Board authorized the award of a job order not to exceed \$100,000 to prepare the Property for Americans with Disabilities Act (ADA) compliance and for interior improvements. The Board executed a license agreement with Good Samaritan for use of the Property and a subrecipient agreement for Good Samaritan to operate the Hedges House of Hope program at the Property beginning July 1, 2021 through May 31, 2022, for a total amount of \$1,229,400. The funds used for this one year of operations at the Property include \$672,800 in Emergency Solutions Grant (ESG) CARES (ESG-CV) funds and \$556,600 in Homeless Housing, Assistance and Prevention Program (HHAP) funds allocated by the State. The subrecipient agreement includes an option for an additional year extension, with funding sources to be determined later.

The Homekey application evaluates and scores the following criteria for projects qualified for award, including ability to timely expend funds and operating leverage (40 points); experience (55 points); racial equity and community engagement (20 points); community impact and site selection (92 points); and, subtracts ‘negative’ points for projects that displace existing residents or households.

Since July 1, 2021, the housing navigation and emergency shelter services at the Property, under the Hedges House of Hope program, have provided shelter and housing navigation services to 45 persons. The one-year scope of work identifies the shelter will provide 50 beds, serve 70 unduplicated persons, with 20% of participants moving into Rapid Rehousing (RRH) at project exit, and 25% moving into permanent housing (other than RRH) at project exit.

On November 2, 2021, the Board exercised its option to purchase the El Colegio Property for \$6.3 million in accordance with the terms of the Option Agreement approved by the Board on June 15, 2021. As stipulated in the Purchase Option Agreement, the option to purchase must be exercised by November 15, 2021, to complete the sales transaction and close escrow by December 30, 2021. During a pre-application consultation between County staff and State HCD officials, the State indicated it was highly unlikely that a successful applicant would have a state standard agreement issued, executed, and Homekey funds disbursed through escrow prior to December 30, 2021. State HCD officials represented that costs incurred by an applicant after March 2021 would be eligible for reimbursement with Homekey funds.

Attachment 1 is a Board resolution authorizing the submission of a Homekey grant funding application to State HCD. The resolution reflects that the County is co-applicant with Good Samaritan for a State Homekey award. The Property would be owned by the County, with a license agreement with Good Samaritan for an agreed upon term. For the application, County must identify potential funding sources to provide a reasonable assurance of matching contributions to cover operations and services for five (5) years. Because of potential funding variables, the resolution reflects a Homekey grant application request not to exceed \$7 million. The resolution further specifies that the Community Services Department

Director, or designee, is authorized to execute the Application and the Homekey documents on behalf of the County.

The State Homekey grant Notice of Funding Availability (NOFA) includes a formula for applicants to estimate a potential State award amount and local match requirements based on the number of interior doors in a property. The estimated grant amount is based on 22 “doors” plus one resident manager/management office. The Homekey grant if awarded would provide an estimated total operating subsidy of up to \$979,200, or \$489,600 per year for two years. Table 1 below identifies potential sources of funding for County’s match contribution to cover operational costs for the Hedges House of Hope program.

Table 1 – Potential Operating Sources Identified Years 1-5

2021-22	2022-23	2023-24	2024-25	2025-26
\$1,229,400 (ESG-CV HHAP)	\$1,229,400 ARPA	\$1,229,400 ARPA	\$489,600 Homekey* (40% funded)	\$489,600 Homekey* (40% funded)
			\$739,800 PLHA, HOME- ARP, HHAP, ESG-CV, or CDBG	\$739,800 PLHA, HOME- ARP, HHAP, ESG-CV, or CDBG

* Total Estimated Homekey Operating Subsidy \$979,200

Performance Measure:

If the State of California awards funding for the project, the State will provide a Homekey standard agreement and require the County to execute a regulatory agreement, security instrument, and other related documents. State Homekey regulations require that units be restricted to the target population for 15 years.

Fiscal and Facilities Impacts:

Budgeted: No. Staff will return with a Budget Revision request with the actual grant award amount, if application is successful.

Fiscal Analysis:

General Fund					
State					
Federal			6,201,775		
Fees					
Other:					
Total	\$	-	\$	6,201,775.00	\$ -

Narrative: This Board letter identifies County’s estimated total required match of \$6,201,775, consisting of \$1,625,957 in capital match, and \$4,575,817 in operating match, to carry through five (5) years, or until 12/31/2026. This does not include the ESG-CV and HHAP funds that the Board previously approved for January 2022 through June 30, 2022 (year 1).

The State requires that interim housing projects funded under Homekey provide a reasonable assurance of potential funding sources to cover operations and service costs for five years and submit estimated costs of operations and services through year 15. Recordation of a 15-year use restriction on the Property to operate as interim housing will also be required. The annual budget for the operation of the Hedges House of Hope program is \$1,229,400; in future years these costs are expected to trend upward at 2.5% per year. The State Homekey operational subsidy estimate of up to a total of \$979,200 will off-set part of these operational costs for approximately two years (through FY 2025-26), leaving a shortfall for costs for services of \$1,479,600, or 60% of the total for those two years. Currently, staff have identified state ESG-CV and HHAP funds to operate the Hedges House of Hope program for the first year. Table 1 above identifies potential funding sources for the first five years of operations. Staff are identifying potential funds which may be used to operate the Property for the full 15-year regulatory period, which may include federal CDBG funds, State Permanent Local Housing Assistance (PLHA), ARPA, HOME-ARP, HHAP, ESG-CV, and County Human Service Commission General Funds.

Key Contract Risks:

If the State awards Homekey funds, the County will be required to sign and record a regulatory agreement to operate the Property as interim housing for the full 15-year regulatory period, or risk the repayment of the Homekey state funds and any penalty. County staff will conduct ongoing monitoring to assure that the Property is being administered in accordance with the Homekey Program. The State will enter into a standard agreement and regulatory agreement with the County with a 15-year use requirement for the target population of persons who are homeless or at risk of homelessness. The State also will require that the County record a 15-year use restriction against the Property.

Staffing Impacts:

Legal Positions:

FTEs:

No new staffing impacts. The Program recommended for funding will be overseen by existing County HCD staff.

Special Instructions:

This is a time sensitive item with a competitive application to be submitted to the State by November 19, 2021.

1. Please return one copy of the Minute Order to Ted Teyber at teyber@co.santa-barbara.ca.us.
2. Please return one executed copy of the Authorizing Resolution (Attachment 1) to Ted Teyber at teyber@co.santa-barbara.ca.us.

Electronic signatures and transmittal are acceptable. Email or call 805-568-3513 with any questions.

Attachments:

1. Authorizing Resolution

Attachment 1
Authorizing Resolution