



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 & Behavioral Wellness  
**Department No.:** 055  
**For Agenda Of:** 6/4/19  
**Placement:** Administrative  
**Estimated Time:** N/A  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors  
**FROM:** Department George Chapjian, Community Services Director (805) 568-2485  
Director(s) Dr. Alice Gleghorn, Behavioral Wellness Director (805) 681-4742  
Contact Info: Dinah Lockhart, Deputy Director (805) 568-3523  
Laurie Baker, Grants and Program Manager (805) 568-3521  
**SUBJECT: Conditional \$2,850,000 Allocation of State Homeless Emergency Aid Program and No Place Like Home Funding to the Housing Authority of the County of Santa Barbara for the West Cox Apartments Project (Supervisorial District 5)**

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Other Concurrence:** Risk Management

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

- A. Approve a conditional allocation of \$1,350,000 of County-administered State of California Homeless Emergency Aid Program (HEAP) funds to the Housing Authority of the County of Santa Barbara (Housing Authority) for the West Cox Apartments project (Project), which will reserve the HEAP funds for the Project until November 30, 2019 subject to the Housing Authority securing full funding for the Project and final Board approval of related loan documents;
- B. Authorize the Director of Community Services Department (CSD) to sign a letter to the Housing Authority indicating the conditional allocation of HEAP funds (Attachment A);
- C. Approve a conditional allocation of \$1,500,000 of State of California No Place Like Home (NPLH) Non-Competitive funds to the Housing Authority for the Project, which will reserve NPLH funds for the Project until December 31, 2019 subject to the Housing Authority securing full funding for the Project and final Board approval of a joint application with the Housing Authority to the State for the funding.

- D. Authorize the Director of the Department of Behavioral Wellness (Be Well) to sign a letter to the Housing Authority indicating the conditional allocation of NPLH Non-Competitive funds (Attachment B);
- E. Determine that the approval of the allocation of funding is 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 actions are not a project as they are the 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 impact on the environment.

**Summary Text:**

The Project Applicant and developer, the Housing Authority of the County of Santa Barbara (Housing Authority) intends to submit an application to the California Tax Credit Allocation Committee (CTCAC) for low-income housing tax credits (LIHTC) to construct 30 rental units in the City of Santa Maria for homeless persons and homeless persons with a diagnosis of a chronic mental illness (Project). In connection with its LIHTC application, the Developer must demonstrate to CTCAC that all funding sources needed to complete construction of the Project are committed. The conditional allocation letters enclosed as Attachment A and Attachment B will help advance the Housing Authority’s application for State tax credits to finance the Project. The Housing Authority will leverage the combination of the \$1.35 million from HEAP and \$1.5 million from No Place Like Home funds to secure tax credit funding to build the 30 unit Project.

**Background:**

On October 12, 2018, County’s Division of Housing and Community Development (HCD) under the Community Services Department published a Notice of Funding Availability (NOFA) 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. Staff will return to the Board on an as-needed basis for projects and programs utilizing Federal, State and/or local funds for housing development, human services and homeless programs.

For FY 2019-2020, new State funding streams have become available to the County to award under the County’s customary approval processes including the annual NOFA process. The recommended actions conditionally allocate funding under two State of California programs: HEAP and NPLH non-competitive funds available for the County to award to non-profit agencies and housing providers.

**HEAP**

Senate Bill 850 established the HEAP program, which makes flexible block grants available to local jurisdictions to address immediate homelessness challenges, including but not limited to, prevention, criminal justice diversion programs to homeless individuals with mental health needs, and emergency aid. The 2018 California State budget provided significant funding to address homelessness, including \$500 million in HEAP Block Grants. The State allocated \$9,385,185 to the local Santa Maria/Santa Barbara County Continuum of Care (local CoC), of which \$8,915,926 was made available through a NOFA. A significant consideration identified by the local CoC for allocating HEAP funding is prioritizing projects for the creation of new units and beds.

This Board Letter recommends the conditional allocation of \$1,350,000 in HEAP funds to the Housing Authority to develop West Cox Apartments. Approving the conditional allocation of \$1,350,000 will reserve the funding for the Project until December 2019 and provide the Housing Authority with sufficient time to secure the other required funding, including the LIHTC described above. If the Housing Authority obtains the necessary funding, HCD staff will return to the Board for final approval of loan documents.

### NPLH

The No Place Like Home program changed how funding under the Mental Health Services Act (MHSA) is used. On July 1, 2016, Governor Brown signed legislation enacting the NPLH 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. The bonds are repaid by funding from the Mental Health Services Act (MHSA). The State is allocating funds to counties on a competitive and non-competitive basis. Approximately \$2.5 million in non-competitive funds are being allocated to the County to be awarded to qualifying projects. Approximately \$245 million is available on a competitive basis to all medium-sized counties, which includes Santa Barbara County. Funding can be used for acquisition, construction, or rehabilitation of housing, and to subsidize extremely low rent levels over 20 years.

In order to access the non-competitive allocation of \$2.5 million, the County must first submit a “Noncompetitive Allocation Acceptance Form,” an authorizing resolution, and related documents to the State by August 15, 2019. Be Well staff will return to the Board before the deadline to obtain the necessary approvals for the resolution and documents. The County must then submit project specific application(s) by February 15, 2021. The application for non-competitive allocation disbursements can be submitted directly to the State by the County or jointly by the County (through Be Well) and the project developer. Here, the NPLH application to the State for the West Cox Apartments project will be a joint-application with the Housing Authority and Be Well. While NPLH funds are overseen by Be Well, due to the combination of capital and service based requirements, Be Well has partnered with HCD on the vetting and approval process of projects seeking NPLH non-competitive funds.

This Board Letter recommends the conditional allocation of \$1,500,000 in NPLH funds to the Housing Authority to develop West Cox Apartments. Approving the conditional allocation of \$1,500,000 will reserve the funding for the Project until December 31, 2019 and provide the Housing Authority with sufficient time to secure the other required funding, including the LIHTC described above. If the Housing Authority obtains the necessary funding, Be Well will return to the Board for approval of a joint application with the Housing Authority to the State for the West Cox Apartments project.

### **The West Cox Apartments**

The proposed project will be located at 1141 West Cox Lane in the City of Santa Maria. The Project will consist of 30 1-bedroom rental units consisting of 14 newly constructed pre-fabricated buildings. One of the units will be a manager’s unit without income or rent restrictions. All other units will be restricted to household incomes that are at or below 60% of the area median income (AMI). The buildings will be one story. On and off site parking is available. The development includes a

community building for resident support services consisting of a community meeting room, computer lab, and clinic. Landscaped areas are also provided for tenants' recreation.

The Housing Authority requested \$2,850,000 in its application for County funds, \$1,350,000 of which to be HEAP funds and \$1,500,000 NPLH non-competitive funds. The funds will complete the funding needed to allow the Housing Authority to apply for federal LIHTC.

The Housing Authority's application for the West Cox Apartments Project was reviewed by HCD and Be Well staff and forwarded to external committees for review and funding recommendations. The local CoC met on November 29, 2018 to review the Project and recommended funding. The local CoC further recommended that the reservation of HEAP funds would be reconsidered by the local CoC if the Project was unsuccessful in obtaining a LIHTC allocation by November 30, 2019. The Project was thereafter reviewed by the County's Capital Loan Committee (CLC) on May 14, 2019. The CLC recommended County funding for the Project based upon a review of the construction budget, funding sources, and projected 20-year operating proforma.

Concurrently, the Housing Authority intends to issue tax-exempt bonds, which will be converted to a Project loan. The bond issuance plan was reviewed and approved by the County's Debt Advisory Committee on January 22, 2019. The hearing required by the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) was held by the Board on March 5, 2019. Total project cost is expected to be approximately \$8.6 million to \$9 million, depending on the total LIHTC awarded to the project.

**Performance Measure:**

**NPLH**

The State of California will enter into agreements with the Housing Authority to allocate NPLH funds to the Project. The State will monitor the Project for property and loan compliance. Be Well will enter into service agreements with the Housing Authority to provide required services under the NPLH program. The following required services can be provided onsite or at another easily accessible location:

1. Case management;
2. Peer support activities;
3. Mental health care;
4. Substance use services;
5. Physical health care, including routine and preventive health and dental care, medication management, and wellness services;
6. Benefits counseling and advocacy; and
7. Basic housing retention skills.

**HEAP**

The County will enter into a loan agreement with the Housing Authority to allocate HEAP funds to the Project as discussed below. Pursuant to the December 2018 HEAP Agreement between the State and County, the County is responsible for monitoring HEAP projects to ensure that all HEAP funds are expended by June 30, 2021. The County is also responsible for documenting to the State the number of individuals experiencing homelessness or at imminent risk of homelessness served by the program funds. Increased service capacity, decreased unsheltered homeless persons and any increase in the

number of homeless persons entering permanent housing attributable to the West Cox Apartments Project would be incorporated into this annual report.

**Fiscal and Facilities Impacts:**

Budgeted: Yes

**Fiscal Analysis:**

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State			\$ 2,850,000.00
Federal			
Fees			
Other: In-Lieu			
<b>Total</b>	\$ -	\$ -	<b>\$ 2,850,000.00</b>

**Narrative:**

These amounts are conditional allocations only and Board Action on these items does not approve expenditures.

**Key Contract Risks:**

The State will enter into loan agreements with the developer for NPLH. The NPLH allocation shall be awarded to West Cox as post-construction, permanent loans underwritten and held by the State as lender. These loans shall have an initial term of 55 years, or longer if necessary to match the period of affordability restrictions under the tax credit program. Be Well will monitor the provision of services required by the NPLH program listed above, as will be outlined in its service agreements with the Housing Authority.

HCD Staff will return to the Board to finalize HEAP loan documents with the developer. Said loan documents will be for 15 years, forgiven after the 15 year compliance period, and include a Deed of Trust and Regulatory Agreement to protect the County’s interests.

**Staffing Impacts:**

The current requested activity falls within currently budgeted staff duties.

**Special Instructions:**

Please return email a copy of the Minute Order to Ted Teyber, [eteyber@co.santa-barbara.ca.us](mailto:eteyber@co.santa-barbara.ca.us)

**Attachments:**

- A. County CSD Letter of Allocation of Funds
- B. County BWD Letter of Allocation of Funds

