



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:** 10/13/20  
**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)  
Contact Info: Dinah Lockhart, Deputy Director HCD (805) 568-3523  
**SUBJECT: Execution of Subrecipient Agreement with Housing Authority of the County of Santa Barbara for a Homekey development project (Supervisorial District 4) at 117 North B Street in Lompoc, Assessor Parcel Number 085-141-003**

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**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 Subrecipient Agreement (Attachment 1) in an amount up to \$1,500,000 between the Housing Authority of the County of Santa Barbara and County of Santa Barbara, utilizing CARES Act funding to provide the State required Homekey program funding match.
- B. Approve a total commitment of \$270,000, in Permanent Local Housing Assistance (PLHA) funds, to be allocated over a five (5) year period, beginning in 2021 until 2025, that have been conditionally allocated to the County, which will serve as supportive service funds required under the Homekey program, and authorize the Chair of the Board of Supervisors to execute a Commitment Letter in a form substantially similar to Attachment 2;
- C. 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 3).

**Summary Text:**

The Housing Authority of the County of Santa Barbara (Housing Authority) proposes to develop fifteen (15) rental units using an office building currently owned by the County located at 117 North B Street, in Lompoc (the “Property”). Fourteen (14) of the units would be for eligible tenants, and one (1) unit is designated for an on-site property manager. The project is targeted for persons who are homeless or at-risk of homelessness with incomes at or below 15% area median income (AMI), which is \$12,500 for one person. The Housing Authority has applied for competitive State of California Department of Housing and Community Development (State HCD) Homekey funds to help finance development of the project. On August 26, 2020, the County Housing Authority was notified that State HCD has completed its preliminary review of the Housing Authority’s Homekey application for the B Street project, that the project has passed threshold and funds have been reserved, contingent upon additional information being submitted. The Board’s approval of the Subrecipient Agreement (Attachment 1) would demonstrate the required funding match for the projects under the Homekey program, and help secure State Homekey funding. This funding will be used by the Housing Authority for construction costs. Construction will largely take place prior to closing escrow on the transfer of the Property from the County to the Housing Authority, as permitted by a separate agreement being prepared by the County General Services Department. The Board is further asked to authorize the Chair to sign a commitment letter of which authorizes the contribution of up to a total of \$270,000 in future Permanent Local Housing Assistance (PLHA) over a five year period as supportive service funding, required under the Homekey program. This funding will support the cost of one .50 FTE County Behavioral Wellness (Be Well) staff persons assigned to provide services at the B Street property as it becomes occupied by residents.

**Background:**

On July 14, 2020 the Board certified receipt for \$46,100,000 in Coronavirus Aid, Relief, and Economic Security (CARES) Act Relief funds, and authorized approximately \$7.5 million thereof to be used to support vulnerable populations. In furtherance thereof, on September 22, 2020, the Board authorized the Community Services Director or designee to sign a Reservation Letter for a commitment of \$1,467,330, adjustable to an amount not to exceed of \$1.5 million in CARES Act funds, which will serve as matching funds required under the Homekey program. The recommended actions would finalize this funding reservation and commit up to \$1.5 million in County CARES Act funds to the project comprising the required matching funds under the Homekey program. Total project cost is approximately \$4,075,918.

**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 Notice of Funding Availability was released on July 16, 2020. Projects must expend the federal CRF portion by December 30, 2020. GF must be spent by June 30, 2022.

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. The State also made available a 24 month operating subsidy from \$50 million in State General Funds . Applicants who receive 24 months of operating subsidies must provide an additional 36 months of operating subsidies as match. All General Fund subsidy must be expended by June 30, 2022. Applicants who receive no operating subsidy award must contribute 60 months of operating subsidies as match. 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 interim and permanent housing projects that can be occupied 90 days from the time the property is acquired or leased and where permanent housing solutions are the outcome. Key evaluation criteria are applicant evidence of site control, plan for maintaining on-going affordability of units, and ability to obtain necessary entitlements and permits. Tier 2 projects are those projects which cannot be occupied within 90 days and may take longer. 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 at least a portion of the 14 program beneficiary housing units be completed and occupied before December 30, 2020. In order for that to occur, a separate lease agreement may need to be approved by the County, allowing the Housing Authority to provide housing to tenants while the property may still be technically under County ownership prior to scheduled close of escrow December 22, 2020.

#### County Housing Authority Homekey Application

On August 26, 2020, the County Housing Authority was notified by State HCD that the County’s B Street Homekey application had passed threshold and funds had been reserved. The reservation of Homekey funds is contingent upon additional information being provided to State HCD and project milestones being met. The B Street Homekey site application requested \$2,608,639.37 in State Homekey funds, with a local County match not to exceed \$1,500,000. The final calculation of the County’s required match amount will be confirmed by State HCD. The County’s matching funds will come from County CARES Act funding, which is an eligible match source. 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.

This Board Letter recommends approval of the County’s contribution of a not to exceed \$1,500,000 match to the proposed B Street Homekey project. State HCD will confirm the final match dollar requirement at such time a final Standard Agreement is issued to the Housing Authority for Homekey funds.

#### Allocation of Permanent Local Housing Assistance (PLHA) Assistance

On September 22, 2020 the Board received a staff report which provided details on the proposed operation and supportive services that will be available to residents at the B Street property. County Be Well have determined that a 0.5 FTE Case Manager will be needed to provide services on-site. Be Well will provide

staff or contract staff for the case management supportive services.. The cost of the supportive services is calculated to be \$270,000 total over a five year period. The PLHA program was signed into law in 2017 with the purpose of increasing the availability of affordable housing and services in California. An eligible use of this funding is to assist persons experiencing or at risk of homelessness. The County anticipates receiving an estimated \$419,182 in PLHA dedicated to assisting persons who are homeless or at risk of homelessness, which can be used for supportive/case management services to retain housing. The County has submitted all application materials and anticipates receiving a State PLHA standard agreement in the next month or so. The Board's commitment of \$270,000 in PLHA funding for supportive services at B Street is a required submission in order for the State to issue a Homekey funding commitment for B Street.

### **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 Subrecipient Agreement would enable the Housing Authority to complete the Homekey application process with the State. If the State of California awards funding for the project, the State will provide a Homekey grant to the Housing Authority and require the Housing Authority to 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:**

Be Well anticipates the operation of the B Street Homekey project will involve the dedication of a minimum of 0.5 Case Manager. Be Well will provide staff or contract staff for the case management supportive services. . The Homekey program application requires the identification of specific funding sources in the operating pro forma of the project for the first five years of operation. For future years, staff will reexamine on-going commitment of PLHA, and eligibility of other Behavioral Wellness funding sources.

### **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 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](mailto:teyber@co.santa-barbara.ca.us).
2. Please retain an executed original Agreement for COB records.

**Attachments:**

1. County CARES Act Subrecipient Agreement
2. Commitment Letter
3. 9/22/2020 CEQA NOE