



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: February 1, 2022
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: **Conditional Reservation of Funding to the Housing Authority of the County of Santa Barbara for Homekey Program Application in Santa Maria (Supervisory District 5)**

County Counsel Concurrence

As to form: Yes

Risk Management

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A) Approve a reservation of \$3,486,400, in funds made available by the American Rescue Plan Act of 2021 (ARPA) and HOME American Rescue Plan Consortium funds that have been allocated to the County, which will serve as the capital matching funds required under the Homekey program for the acquisition and rehabilitation of 1007 Main St., Santa Maria by the Housing Authority of the County of Santa Barbara (Housing Authority), and ratify a Reservation Letter signed by the Community Services Director for inclusion in the Homekey application to the State submitted prior to the January 31, 2022 deadline for geographic set-asides and application bonus award (Attachment 1);
- B) Approve and authorize the Chair to execute a letter of support for the Homekey project (Attachment 2), which will be attached to the Notice of Exemption (Attachment 3); and
- C) 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, and direct staff to file a Notice of Exemption on that basis (Attachment 3).

Summary Text:

This Board Letter is before the Board because the Housing Authority of the County of Santa Barbara (Housing Authority) requested that the County provide local capital match for submitting a Homekey application to purchase a hotel located at 1007 Main St., Santa Maria (Project). The Project would provide supportive housing targeted for persons who are homeless or at-risk of homelessness. The Phase II Community Action Plan identifies the need for 835 permanent supportive housing units. The Project will provide 75 units to meet the community need. The Housing Authority is applying for competitive State of California Department of Housing and Community Development (State HCD) Homekey funds to help finance acquisition and rehab of the Project. A key consideration by the State for the award of Homekey funding is a local funding match.

If the application for approximately \$17,931,000 in State Homekey grant funds is awarded, the County will contribute one-time matching funds for capital Project costs, in the amount of \$3,486,400. These funds could consist of:

- \$1,500,000 of the ARPA funds previously set aside by the Board of Supervisors for Homekey match on October 19, 2021;
- \$971,208 in ARPA funds approved by the Board for acquisition of 6549 El Colegio Road in Isla Vista (“El Colegio Hedges House of Hope”) on November 2, 2021, that can now be made available for other uses, including this project, since \$6,995,093 in State Homekey funds were awarded for the El Colegio project on January 4, 2022; and
- \$1,015,192 of supplemental HOME Investment Partnership Program funds made available by the American Rescue Plan (HOME-ARP) approved by the Santa Maria/Santa Barbara HOME Consortium on December 17, 2021.

The Housing Authority must also provide reasonable assurance to the State of matching contributions to cover operations and service costs for five (5) years. The estimated cost of operations and services is \$1,282,788 per year. The Homekey application would provide operations funding to assist in the first two years. The remaining operations and service costs for the first five (5) years will be funded with tenant and Section 8 rents; no additional operations and services subsidy is required for the first five-years. The recommended actions do not commit the County to ongoing funding support for the Project thereafter.

According to Project Homekey program guidelines, the local funding match requirement can be evidenced in the application by a letter demonstrating the intent to commit funds to the project. On January 26, 2022 representatives from the County, the City of Santa Maria, and the Housing Authority met to discuss the proposed project. During that meeting, City representatives indicated they would provide a letter of support for inclusion in the Homekey application to the State. In order to submit the Homekey application by January 31, 2022 in order to be considered under the Central Coast geographic funding set-aside and to be eligible for an application bonus award, the Community Services Director signed a reservation letter. The attached reservation letters evidence intent to commit funds but are non-binding; if the Homekey application is awarded, the County will need to commit matching funds by approving funding agreements with the Housing Authority.

Background:

AB 140 (2021) provided the statutory basis for Homekey Round 2, which is administered by 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. 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. 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. The Notice of Funding Availability for Homekey Round 2 was released on September 9, 2021. Following Board action on November 16th, the County applied for \$7 million in 2021 Homekey funding for the acquisition and use of the property located at 6549 El Colegio Road in Isla Vista. On January 4, 2022, the County was notified by State HCD that the El Colegio Homekey application had been awarded \$6,995,093 in Homekey funds.

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 Notice of Funding Availability (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 such as housing authorities, councils of government or tribal entities.

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.

Santa Maria Motel 6 Project

On November 22, 2021, The Housing Authority executed a property purchase agreement for the Motel 6 located at 1007 Main St. in the City of Santa Maria contingent upon the award of the Homekey application. The Motel 6 is an 81-guest-room property which was renovated in 2016 to join the Motel 6 chain. The location is near services and public transportation. If funded, the property will provide permanent supportive housing for residents.

Project Costs	
Purchase Price	\$ 10,800,000
Rehab Cost	\$ 6,885,000
Soft Costs and Fees	\$ 3,732,400
Total Project Cost	\$ 21,417,400
<i>\$21,417,400 / 70-units = \$286,000 per door</i>	

Capital Sources	
HomeKey Award	\$ 17,931,000
ARPA - County	\$ 2,471,208.5
HOME Consortium HOME-ARP	\$ 1,015,191.5
	\$ 21,417,400

The Santa Maria Project would be owned by the Housing Authority or its assignee of the purchase and sale agreement, and State Homekey funds would be awarded directly to the Housing Authority. The application must identify potential funding and provide a reasonable assurance of ability to cover operations and services for five (5) years.

The estimated Homekey grant amount for the Santa Maria Project is based on 75 residential “doors”. The six (6) other existing rooms will be staff offices and community space. The Homekey grant if awarded, would provide \$17,931,000 in estimated capital funding and an estimated total operating subsidy of up to \$2,203,200, or \$1,101,600 per year for two years. All referrals for the project will come through the Coordinated Entry System (CES).

Performance Measure:

If the State of California awards funding for the Project, the Housing Authority will serve 75 households—a significant step towards the 835 supportive housing units found to be needed in the Phase II Community Action Plan approved by the Board of Supervisors on February 23, 2021. Housing retention, racial equity, increase in self-sufficiency and reducing homelessness will all be part of measuring project performance in the funding agreements. The Housing Authority will be responsible for operating funds through the 55-year regulatory period, but the designation of the project as permanent supportive housing provides opportunity for operating funding.

Fiscal and Facilities Impacts:

Budgeted: No. Staff will return with a Budget Revision request and funding agreements committing the Homekey match funds if the Housing Authority’s application is successful.

Fiscal Analysis:

Narrative:

The attached reservation letter evidences intent to commit capital match funds of \$3,486,400, for purposes of satisfying State Homekey application requirements but are non-binding. If the Homekey application is awarded, the County will need to commit matching funds by approving funding agreements with the Housing Authority. The Housing Authority will continue to seek other funding to offset County match funding.

On October 19, 2021 the Board of Supervisors approved \$3,000,000 in County (ARPA) funds to be available for Homekey match as part of the Housing and Homelessness COVID-19 Recovery Plan. These funds will be available to be spent on July 1, 2022. A key strategy of recovery is to expand the continuum of housing options consistent with the Phase II Community Action Plan capital and service needs. Half of these funds are being reserved for the Santa Maria project, \$1,500,000.

On November 2, 2021, the Board approved \$7,000,000 in ARPA funds for the County’s acquisition of the El Colegio Hedges House of Hope project. On November 16, 2021, the Board authorized the Community Services Department to submit a State Homekey application for the Hedges House of Hope project, and on January 4, 2022, the County was notified that its application was awarded \$6,995,093. The State HCD Homekey award announcement for El Colegio Hedges House of Hope frees up the ARPA funds to be utilized for local capital match to leverage additional State Homekey dollars for Santa Barbara County. A portion of these ARPA funds are now being reserved for the Santa Maria project, \$971,208.

The County is the lead entity of the Santa Maria/Santa Barbara HOME Consortium, which includes the cities of Buellton, Carpinteria, Solvang, Goleta, Santa Maria, and Lompoc. On December 17, 2021, the HOME Consortium approved, with a representative from the City of Santa Maria abstaining from the vote, \$1,015,192 of HOME-ARP funds for the Project. The HOME-ARP Allocation Plan and FY 2021-22 Substantial Action Plan Amendment were approved by the Board on January 11, 2022.

The State requires that permanent supportive 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. Tenant and Section 8 rent subsidies are projected to cover operations and services for the first five-years of each project. Recordation of a 55-year use restriction on the property to operate as supportive housing serving the target population will also be required of the Housing Authority. The Phase II Community Action Plan identifies the need for 835 permanent supportive housing units. The project will provide 75 units to meet the community need.

Key Contract Risks:

If the State awards Homekey funds, the Housing Authority will be required to sign and record regulatory agreements to operate the Project as supportive housing for the target population of persons experiencing homelessness or at risk of homelessness for 55 years or risk the repayment of the Homekey funds to the State and any penalty. The State 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 with the Housing Authority.

Staffing Impacts:

Legal Positions:

FTEs:

No new staffing impacts. The Project will be administered by Housing Authority.

Special Instructions:

1. Please return one copy of the Minute Order to Dinah Lockhart at dlockhart@countyofsb.org; and
2. Please return one letter of the Letter of Support (Attachment 2) to Dinah Lockhart at dlockhart@countyofsb.org.

Attachments:

1. Reservation Letter
2. Letter of Support
3. Notice of Exemption (NOE)