



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; &
General Services
Department No.: 055
For Agenda Of: 9/22/20
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) Dr. Alice Gleghorn, Behavioral Wellness Director (805) 681-4742
Janette Pell, General Services Director (805) 560-1011
Contact Info: Dinah Lockhart, Deputy Director HCD (805) 568-3523
Laura Zeitz, Div. Chief Placement/PHF Admin, Behavioral
Wellness (805) 681-4943
Skip Grey, Assistant Director, General Services (805) 568-3083

**SUBJECT: Disposition of County-owned property at 117 North B Street in Lompoc,
Assessor Parcel Number 085-141-003 to the Housing Authority of the County of
Santa Barbara for a Homekey development project (Supervisorial District 4)**

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Determine, in accordance with California Government Code §26227 and County Code §12A-10.3, that the “Homekey” project (Project) proposed by the Housing Authority of the County of Santa Barbara, a public body, corporate and politic (Housing Authority), would meet the social needs of the population of the County and serve public purposes, and that the portion of the property located at APN # 085-141-003 at 117 North B Street, Lompoc, California (Property), will be not be needed for County purposes, and therefore, that the Board may make the Property available to the Housing Authority;

- B. Approve and authorize the Chair to execute the original and duplicate original Purchase and Sales Agreement (Attachment 1) between the Housing Authority of the County of Santa Barbara, as Buyer, and County of Santa Barbara, as Seller, to sell the Property for a below-market purchase price of \$1.6 million contingent on a commitment of State Homekey funds;
- C. Approve and authorize the Director of Community Services Department or designee to execute the necessary escrow instructions and/or additional documents which may be required to complete the disposition of the Property;
- D. Approve a commitment of \$1,467,330, adjustable to an amount not to exceed of \$1.5 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act Relief funds that have been conditionally allocated to the County, which will serve as matching funds required under the Homekey program, and authorize the Community Services Director to execute a Reservation Letter in a form substantially similar to Attachment 2;
- E. Authorize the Chair to sign a letter of support for the Homekey project which will be an attachment to the Notice of Exemption (Attachment 3); and
- F. Determine that the recommended actions are exempt from the California Environmental Quality Act (CEQA) pursuant California Health and Safety Code Section 50675.1.2, 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 50675.1.2 and direct staff to file a notice of exemption on that basis (Attachment 4).

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. 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. A key consideration by the State for the award of Homekey funding is a plan and timeline for obtaining site control. 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, including evidence of site control. The Board's approval of the proposed Purchase and Sale Agreement (Attachment 1) would demonstrate site control, and help secure State Homekey funding.

The proposed Real Property Purchase and Sales Agreement and Escrow Instructions (Agreement 1) will enable the Housing Authority to satisfy the site control requirement for Homekey financing. If the Board approves the Agreement, the Housing Authority can proceed to acquire the Property. The sale of the County property is contingent upon the award of Homekey funds. The Board is also asked to authorize the Community Services Director or designee to sign a Reservation Letter (Attachment 2) for a commitment of \$1,467,330, adjustable to an amount not to exceed of \$1.5 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act Relief funds that have been conditionally allocated to the County, which will serve as matching funds required under the Homekey program.

The Board is further asked to approve the Chair to sign a letter of support (Attached 3) for the Homekey project which will be an attachment to the Notice of Exemption (NOE) (Attachment 4).

CEQA Exemption Provisions Under Homekey

Projects that utilize Homekey funds, regardless of whether they also utilize other funding sources, may be eligible for CEQA exemptions provided for under State regulations governing the Homekey program. (Health & Safety Code, § 50675.1.2.) The eligibility requirements for these funds are set out in the Homekey Notice of Funding Availability (NOFA). In addition to the CEQA exemption, AB 83 provides significant land-use streamlining for projects utilizing Homekey funds. This land use exemption is independent of the CEQA exemption and applies to all Homekey funded projects. All Homekey projects are eligible for such streamlining and are “deemed consistent and in conformity with any applicable local plan, standard, or requirement, and allowed as a permitted use, within the zone in which the structure is located, and shall not be subject to a conditional use permit, discretionary permit, or to any other discretionary reviews or approvals.” (Health & Safety Code, § 50675.1.1, subdivision. (g).) Projects using money from Homekey funds for any of the purposes listed in the Homekey NOFA is deemed consistent with all applicable local regulatory plans and regulations such as the local general plan and local codes and ordinances. Such projects do not need to undergo any discretionary local permit review or approval process (e.g., a discretionary use permit process) before being able to proceed with the project. The CEQA exemption has two important time restrictions. The exemption only applies to the initial Homekey application and location submitted, and the exemption will be repealed on July 1, 2021. Homekey regulations require occupancy of the project within 90 days of the close of escrow, which will be well before the expiration of the Homekey CEQA exemption.

Background:

Section 26227

California Government Code §26227 authorizes the Board of Supervisors to fund programs deemed necessary to meet the social needs of the population of the County. The Board can also make available any real property of the County, which will not be needed for County purposes during the time of possession, to be used to carry out such programs. Therefore, if the Board of Supervisors determines that the activities performed by the Housing Authority are necessary to meet the social needs of the County and determines that the Property will not be needed for County purposes, the County may make the County-owned Property at APN # 085-141-003, consisting of a two-story free standing commercial building approximately 6,765 square feet situated on approximately 13,940 square feet located at 117 North B Street, in the City of Lompoc available to the Housing Authority subject to such terms and conditions as are in the best interest of the County and the general public.

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 State grouped counties by region to provide geographic distribution of Homekey funds for applications submitted by a priority deadline of August 13, 2020. Santa Barbara County is included with four (Monterey, San Benito, San Luis Obispo, Santa Cruz) other counties in the Central Coast region. The

Central Coast region is allotted \$20,025,927 in CRF and \$1,820,539 in GF. Funding statewide was distributed based on a formula which considered 2019 Point in Time Counts and number of Severely Rent-burdened/Extremely Low Income individuals.

Eligible uses for the funding include:

- 1) Acquisition or rehabilitation of motels, hotels, or hostels.
- (2) Master leasing of properties.
- (3) Acquisition of other sites and assets, such as apartments or homes, residential care facilities, etc.
- (4) Conversion of units from nonresidential to residential
- (5) The purchase of affordability covenants and restrictions for units.
- (6) Relocation costs for individuals who are being displaced as a result of rehabilitation of existing units.
- (7) Capitalized operating subsidies

The acquisition and conversion of the County BeWell office building qualifies for Homekey funding under eligible use (4).

Homekey Working Group

In April 2020, the Governor's Office announced Project Roomkey, an initiative through which the state secured Federal Emergency Management Agency (FEMA) reimbursement for up to 75 percent cost share for hotel and motel rooms, including wraparound supports such as meals, security, and custodial services. This Program provided additional resources to local communities to address the spread of COVID-19 in vulnerable populations, including homeless persons. The County applied for and received State RoomKey funding, which was used to provide emergency housing in local motels for at-risk individuals.

In early state consultation with Project Roomkey regional participants, State officials informed Roomkey communities, including County staff, that the State would be making additional funds available to create permanent housing solutions for households experiencing homelessness and COVID-19 impacts. A small working group which included representatives from General Services, Public Health, Behavioral Wellness, HCD/CSD, the Housing Authority of the City of Santa Barbara, the Housing Authority of the County of Santa Barbara, the City of Santa Barbara and the City of Goleta began meeting in early July. The group considered several South County hotel/motel properties, and other buildings which could be easily converted to housing. A key consideration was avoiding relocation of displaced renter households in residential properties if potentially acquired using Homekey funds. The Working Group identified three (3) possible Homekey sites, two (2) in South County and one (1) North County (Lompoc). The two South County sites were currently on the market for sale, and the North County Lompoc site was County owned. As all three sites were in the geographic region covered by the County Housing Authority, and rental housing assistance funding would be critical in the on-going sustainability of the project's operations, they agreed to take the lead in the preparation of the grant applications. The County Housing Authority prepared Homekey applications for all three (3) sites which were submitted to State HCD. Ultimately the B Street site in Lompoc was the only site available for acquisition.

Match Requirement

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. The State emphasized given the highly competitive nature of the Homekey funding, projects had the best chance of funding if they were submitted by August 13, 2020 and met Tier 1 criteria. Applications submitted after August 13 and before the final deadline of September 30 will be considered in order of day and time date stamped, and funded if any funds are available after Geographic Priority distributions are made. All Homekey project funds must be expended by December 30, 2020.

County Housing Authority Homekey Application

The County Housing Authority submitted three applications for Homekey funding by the priority deadline of August 13, 2020. Two of the Homekey sites were ultimately unavailable for acquisition, and did not move forward for State funding consideration. On August 26, 2020, the County Housing Authority was notified by State HCD via email, that the County’s application for the B Street site had passed threshold and funds have been reserved. The reservation of Homekey funds were contingent upon additional information being provided to State HCD and project milestones being met. A key project milestone is site control, such as an executed sales contract, or other enforceable agreement for the acquisition of the property. The B Street Homekey site application requested \$2,787,959 in State Homekey funds, with a local County match not to exceed \$1,500,000. The final calculation of the County’s match amount will be confirmed by State HCD. The County’s matching funds will come from CARES Act funding, which is an eligible match source. The application to the State also requested \$336,000 in State General Fund operating subsidy for the first 24 months of operations. The subsidy request is equal to \$1,000 per month per assisted unit for 24 months. The Board is asked to approve a Purchase and Sales Agreement for the B Street property for \$1,600,000, which is \$30,000 under appraised value. A draft appraisal completed by the County Authority after the submission of the Homekey application to the State, resulted in a finding of \$1,630,000 in value. There is no prohibition in the State’s Homekey regulations that would prohibit a below-market sales price. The State’s application included an estimated appraised value of \$1,600,000 based on local sales comparisons. A development budget of \$1,600,000 was developed to complete interior renovations, and provide individual bathrooms and kitchenettes in each studio unit. Total project cost, including acquisition and renovations, is approximately \$4 million.

Purchase and Sale Agreement

The Real Property Purchase and Sale Agreement and Escrow Instructions (“Purchase and Sale Agreement or PSA”) Section 1.1 (“Buyer”) provides for the sale to close on or before December 22, 2020 (“Closing”).

The PSA provides for the Housing Authority to assign its rights under the Agreement without County's prior written consent to its co-applicant for Homekey funding, the Surf Development Company. Section 3 ("Purchase and Purchase Price") provides for a total purchase price of \$1.6 million. Section 4 ("Financing Contingency") discusses the PSA being contingent upon the Buyer obtaining State HCD Homekey funding, and if Homekey funding is not received by the Buyer within 90 days following the Date of the Agreement, the Agreement may be terminated. Section 5.3 ("Escrow and Closing") provides for escrow closing by recording a grand deed and disbursing funds. Section 11 ("Buyer's Entry") provides for the Buyer (Housing Authority) and Seller (County) to enter into a separate written agreement, which will allow the Housing Authority to enter the property and complete demolition, construction, renovations, and improvements at the property prior to Closing. This provision allows the Job Order Contractor (JOC), with Housing Authority construction oversight, to complete the improvements in an expedited time frame, and while the property is still legally under County ownership. Staff from the Behavioral Wellness Department are planning to be completely moved out by October 1, 2020. An amended A Job Order Contract (JOC) agreement, to be completed after the PSA is executed, will be obtained through County General Services and Gordian, a construction management firm, to carry out renovations at the site.

New Location for Behavioral Wellness Clinic in Lompoc

With the pending sale of the B Street property in Lompoc, County Be Well will be moving their clinic location. The Behavioral Wellness Crisis and Adult Clinic Services will be relocated to the Champion Healings Center at 303 South C Street in Lompoc. The lease of this location will be completed by General Services pursuant to a Memorandum of Understanding approved by the Board on March 10, 2020 with location operator, Crestwood Behavioral Health Center Inc. The MOU provides for Be Well to lease space at the Champion Healings Center in Lompoc. Behavior Wellness anticipates notifying Lompoc Be Well clients in the near future of the new clinic location on C Street.

Expedited Timeline for Project Completion

State regulations for Homekey funding require that all funds be expended by the County Housing Authority by December 30, 2020. 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 November 30, 2020, unless that date is extended by the DOF based on reported expenditures. 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 also 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.

Operations and Services Funding

The B Street Homekey project will provide fourteen (14) SRO units of permanent housing for homeless persons. One unit will be occupied by an on-site project manager. On site services will be provided by local service providers, including County Behavioral Wellness (Be Well). Be Well estimates this project will require the equivalent of 0.5 FTE of case management at a cost of \$75,000 annually. As part of the

Homekey application, the B Street project will also receive a 2 year operating subsidy of \$336,000, which will cover supportive services for the first two years of operation. For years 3 and 4 of project operation, the County anticipates providing a \$40,000 annual operating grant (for a total of \$80,000). This operating grant will likely come from new State Permanent Local Housing Assistance (PLHA) funding and will be considered by the Board at a future date.

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 for Homekey funds. The Board is also asked to approve the sale of the County property at 117 South B Street to the County Housing authority, conditioned upon the State award of Homekey funds this to project. These two actions are necessary at this time, in order for the County Housing Authority to provide required documents to State HCD, complete the Homekey application on file with the State, and continue the grant award process. A requirement of the award of Homekey funds is for the property to be occupied within 90 days of the close of escrow. The Homekey draft Standard Agreement language includes a provision that if a project sponsor fails to meet any key condition, such as failure to expend Homekey funds prior to December 30, 2020 or failure to meet Program Requirements, such as occupancy deadlines, may result in breach of contract, resulting in potential repayment of all disbursed grant funds. The repayment of Homekey grant funds would be the responsibility of the Housing Authority.

Performance Measure:

The B Street Homekey project, if ultimately awarded funds, 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 Purchase and Sale Agreement would enable the Housing Authority to compete 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 housing.

Fiscal and Facilities Impacts:

Budgeted: N/A. The Agreement (Attachment 1), provides for the contingent sale of the County owned property to the County Housing Authority contingent on the Housing Authority's award of State Homekey funds. A necessary condition for the receipt of Homekey funds is for occupancy of the units occur within 90 days of the close of escrow. The extremely compacted development timeline necessitates an expedited sale transaction completion at the time of the State's announcement of a conditional Homekey funding award to the project, which occurred on August 26, 2020. Be Well anticipates the operation of the B Street Homekey project site will involve the dedication of a minimum of 0.5 FTE case manager, equivalent to \$75,000 annually, which is included in the project operating budget.

Fiscal Analysis:

N/A. The recommended Board Action is to approve a purchase agreement at \$30,000 under fair market value, as determined by a professional appraisal. An appraisal completed after the submission of the Homekey grant application resulted in a 'as is' market value of \$1,630,000. The Board is being asked to

sell the property at \$1,600,000, which was the initial estimated submitted to the State in the Homekey application. Should the BOS choose to the sell the property at the appraised value of \$1,630,000 the difference of \$30,000 would be paid by the buyer, and is not reimbursable by the Homekey grant.

Key Contract Risks:

If the project is awarded Homekey funds, and the conditions of the Agreement are met, the Housing Authority may then purchase the Property. The State will enter into a standard agreement and regulatory agreement with the Housing Authority for Homekey funds. According to Homekey program regulations, the grant will have a 20 year use requirement for the target population of persons who are homeless or at risk of homelessness. The State also requires for permanent housing projects (such as the B Street Homekey project here) that the Housing Authority record a 55-year affordability covenant against the Project.

Staffing Impacts:

The current requested activity falls within currently budgeted staff duties.

Special Instructions:

1. Please return a copy of the signed Agreement (Attachment A) and a copy of the Minute Order to Dinah Lockhart, at Ext. 3520 for pick up.
2. Please retain an executed original Agreement for COB records.

Attachments:

1. Real Property Purchase and Sales Agreement
2. CARES Act Reservation Letter
3. Letter of Support
4. Notice of Exemption