

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
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Santa Barbara, CA 93101
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Agenda Number:
Prepared on: 7/29/99
Department Name: County Adminsitrator
Department No.: 012
Agenda Date: 8/10/99
Placement: Administrative
Estimate Time: 0
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Mike Brown
County Administrator

STAFF Jim McClure
CONTACT: Director of Budget & Research x 3413

SUBJECT: Contract for the Homeless Day Center and Emergency Shelter

Recommendation(s):

That the Board of Supervisors:

1. Approve the attached contract for \$500,000 with the Coalition to Provide Shelter and Support to Santa Barbara Homeless in substantially the form attached and direct and authorize the County Administrator to execute the same with any non-substantive changes to be approved by County Counsel.
2. Approve the attached Restricted Use Covenant Imposed On Real Property For the Operation of a Homeless Day Center and direct and authorize the County Administrator to execute the same with any non-substantive changes to be approved by County Counsel.
3. Direct and Authorize the County Administrator to execute escrow instructions consistent with the terms of the above.
4. Direct and Authorize the County Administrator to approve a deed of trust consistent with the terms of the above.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 2. A Safe and Healthy Community in Which to Live, Work, and Visit. Specifically, the Homeless Day Center and Emergency Shelter contribute to the goal of providing shelter for all citizens.

Executive Summary and Discussion:

On June 11, 1999 Santa Barbara City representatives proposed to your Board a fiscal year 1999-00 allocation of \$500,000 for the Homeless Day Center and Emergency Shelter to be developed by the Coalition to Provide Shelter and Support to Santa Barbara Homeless. Your Board unanimously approved the \$500,000 allocation from two potential funding sources: increases in FY 1998-99 fund balance or the salary designation. Due to favorable year-end results, sufficient fund balance was available to cover this need.

On May 19, 1999 the Coalition made an offer to purchase a proposed site at 816 Cacique Street. Due to the threat of potential competing offers, the Coalition made this offer without a written Appraisal. However, the City has had their Real Property Division review the proposed \$1,975,000 sale price and determined that it was reasonable. The Santa Barbara County's Real Property Division has also performed analysis regarding the potential value and based upon the information provided concurs that the price appears to be reasonable. The property is currently in escrow with a scheduled closing date of August 17, 1999.

The \$500,000 allocation will be provided to the Coalition through a fifteen-year, zero interest loan to be automatically forgiven at the expiration of the loan term. A loan of the same amount with matching loan terms is being provided jointly by the City of Santa Barbara and the Redevelopment Agency of the City of Santa Barbara. The County's loan and the City's loan will also have matching priority. Neither will be subordinate to the other and therefore both will bear the same amount of risk in the event of default.

Both the County and City loans will be subordinate to two existing loans on the property. The current outstanding balance on those loans is approximately one million dollars and the combined monthly payment on them is approximately \$10,925. The loans are to be fully amortized in 2015. The existence of these loans presents a significant risk to the City and County. If the Coalition were to be unable to make the monthly payments on those loans and they were to go into default, and the City and County could lose a substantial part, and possibly all, of their investment in the property. Any such loss would be born equally by the City and County. Although the Coalition reportedly seeks to prepay the existing loans, by their terms they are not prepayable. As a result, any prepayment may have to be negotiated with the noteholder (both loans are held by the same entity). The loans each bear an interest rate of 10%.

Both the City and County Agreements also require that a Covenant be placed on the property. The Covenant will restrict the property's use for services to the homeless for the next sixty years and will be binding on all future owners of the property during that time period. However, because the Covenant will be recorded after the deeds of trust on the existing loans, It will be subordinate to those deeds of trust. If those loans were to be foreclosed upon, the Covenant would be extinguished.

Before the property can be used as a day center and shelter for homeless persons it must be granted a parking modification, a Coastal Development Permit and a Development Permit by the City.

Mandates and Service Levels: This facility will provide enhanced service levels and a long-term solution to an annual problem of a winter homeless shelter here on the south coast.

Fiscal and Facilities Impacts:

In addition to the capital investment of \$500K (budgeted in Non-Departmental (Dept 990, Program 1310, Line Item Account 7650), there could be an impact of \$15-25K per year upon the operating budget of the Public Health Department's Human Services Division which is responsible for the homeless winter shelter program. The department will work with the coalition and the intended operator to finalize the operating expense budget and return to your Board as necessary to propose any budget revisions.

Special Instructions: None

Concurrence:
County counsel

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