



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.:** 055  
**For Agenda Of:** December 15, 2020  
**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 (805) 568-3523  
Laurie Baker, Grants and Program Manager (805) 568-3521  
**SUBJECT:** Funding Reservations to Harry's House and Escalante Meadows (Supervisory District 3)

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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 a reservation of County funds for the Harry's House project that will (a) be in an amount not to exceed \$900,000; (b) consist of HOME funds and/or In-Lieu Funds in specific amounts to be determined by the Board at a later date; and (c) be released if the Housing Authority of the County of Santa Barbara does not receive notification of an award of low-income housing tax credits for the project by December 15, 2021;
- B. Authorize the Director of Community Services Department (CSD) to sign a letter to Harry's House project applicant indicating the approved reservation (Attachment A);
- C. Approve a reservation of County funds for the Escalante Meadows project that will be in an amount not to exceed \$529,684 and be released if the Housing Authority of Santa Barbara County does not receive notification of an award of low-income housing tax credits for the project by December 15, 2021;
- D. Authorize the Director of the Community Services Department (CSD) to sign a letter to the Escalante Meadows project applicant indicating the approved reservation (Attachment B);
- E. Determine that the approval of the reservation 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 recommended actions would reserve County-administered federal and/or local funds for two projects for 12-months to allow the Housing Authority of the County of Santa Barbara (HASBARCO) to secure additional funds, including an allocation of Low-Income Housing Tax Credits (LIHTC). The County funding reservations will each expire on December 15, 2021.

*Harry's House*

The first HASBARCO project contemplates development of the vacant property known as 890 N Refugio Road located on the southeast corner of Refugio Road and Highway 246 in Santa Ynez with 60 studio apartment units. Fifty-nine (59) of the studios will be reserved for low-income seniors (62+), with one residential manager's unit without income or age restrictions. It is contemplated that 25 of the affordable units will be restricted for seniors at or below 15% AMI, and 34 units will be restricted for seniors at or below 30% AMI. Each studio unit will have a kitchenette, accessible bathroom, and private balcony/patio, but it is anticipated that most resident meals will be served in the communal dining area, and there is a commercial kitchen to provide residents with three meals per day.

If the Project is awarded LIHTC, staff will return to the Board to consider approval of a final commitment of funds through the execution of loan and regulatory documents. The County funding provided to the project will likely be in the form of low interest loan, with an annual simple interest rate of three-percent (3%) per annum, and repaid with any remaining cash (residual receipts) after the payment of annual operating expenses, property management and monitoring fees, and scheduled payments on any Project loan(s) required to be in a superior position to the County loan.

On November 4, 2020, the proposed County reservation of funds was considered by the County's Capital Loan Committee. The Capital Loan Committee voted unanimously to recommend \$900,000 in federal HOME and/or County In-Lieu funds to the Project. Total project costs for the Harry's House senior development are estimated to be \$25,661,114.

*Escalante Meadows*

The second HASBARCO project contemplates redevelopment of the 53 unit public housing project located on 7.5 acres at 1090 & 1093 Escalante Street, in Guadalupe with 80 one, two, and three-bedroom units. Seventy-nine (79) of the units will be reserved for low-income families, with one three-bedroom manager's unit without income restrictions. Twelve (12) of the units will be restricted to tenants earning 20% AMI or less, 13 units will be restricted to tenants earning 30% AMI or less, 2 units will be restricted to tenants earning 35% AMI or less, 4 units will be restricted to tenants earning 40% AMI or less, 18 units will be restricted to tenants earning 50% AMI or less, and 30 units will be restricted to tenants earning 60% AMI or less.

Santa Barbara County will receive a supplemental \$588,504 in CDBG Disaster Relief (CDBG-DR) funding pursuant to Federal Emergency Disaster Declaration (DR-4535) related to the 2017 Thomas Fire and resulting Montecito debris flow. In connection with the CDBG-DR funding recommended in this Board Letter, four (4) units will be initially restricted for individuals or families who were affected by the 2017 Thomas Fire.

As CDBG-DR funds are provided as pass-through to Santa Barbara County by the State of California Housing and Community Development Department, the State will provide a Master Standard Agreement which the Board authorized the Community Services Department Director to execute on September 22, 2020. On November 4, 2020, the proposed County reservation of funds for Escalante Meadows was considered by the County's Capital Loan Committee. The Capital Loan Committee voted unanimously to recommend \$529,684<sup>1</sup> in federal CDBG-DR funds to the Project. Total project costs for the Escalante Meadows redevelopment are estimated to be \$54,576,644. If the Project is awarded LIHTC, staff will return to the Board for approval of loan documents with the Housing Authority committing funds.

**Background:**

County HCD administers an affordable housing development program which is funded through federal HUD funds, local In-Lieu Fee funds, and certain State pass-through funds (see Summary of Funds Available below). The County receives annual allocations of federal Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME), which may be used for housing projects. In addition, County HCD included in its Housing NOFA, State No Place Like Home, Permanent Local Housing Allocation, and CDBG-Disaster Recovery funds. County HCD staff will return to the Board at such time that other projects are ready to be considered for additional HCD-administered funds. The Housing NOFA was published on September 4, 2020 and Letters of Intent to Apply were due on September 15, 2020. As projects are ready to proceed, owners/developers are invited to submit a full application. This Board Letter addresses two projects that are ready to be considered for a funding reservation from the County.

HOME funds are annually allocated to the County on behalf of the Santa Barbara County HOME Consortium which consists of the County and the cities of Buellton, Solvang, Lompoc, Santa Maria, Goleta and Carpinteria.

Projects that are approved by the Board for funding from federal sources are included in the County's annual Action Plan, or in an amendment to the Annual Action Plan, and submitted to HUD. Annual Action Plans and amendments are approved by the Board prior to submission to HUD. The Inclusionary Housing Ordinance (IHO), the details of which are in Chapter 46A of the County Code of Ordinances, requires certain new residential projects to provide a portion of the housing units as price/rent restricted affordable housing units. The Ordinance allows developers to pay the County a fee in-lieu of developing the units. The In Lieu Fees then may be used by the County to develop additional affordable units. In-lieu fees are generally used for affordable housing developments that are located in the Housing Market Area (HMA) in which the in-lieu fees were collected.

HCD is recommending a reservation of funds at this time until all other funding sources are committed and final financial underwriting is completed. The funding reservations are needed to meet the requirements of the LIHTC program. HCD's loan will not be provided if the projects do not receive an allocation of tax credits and commitments of all other funding sources.

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<sup>1</sup> While the County's CDBG-DR entitlement amount is \$588,504 as shown in Table 1 below, \$58,820 of the grant is being retained by the County for program delivery costs borne by County HCD.

**Summary of Funds Available**

*Table 1 shows the HOME, In-Lieu, and CDBG-DR funds available for housing development projects contained in County HCD's 2021 Housing NOFA*

<b>FUNDING SOURCE</b>	<b>EST. AMT. AVAILABLE</b>
HOME Investment Partnerships (HOME)	\$2,914,944
Inclusionary Housing In-Lieu	\$1,192,000
CDBG-DR	\$588,504

**Performance Measure:**

If the County enters into agreements to provide funding to the projects, the County will designate the number of required income- and rent-restricted rental units. Such restrictions will be required for at least twenty years, the minimum period required by the federal HOME program for new construction. The County also will execute a County loan agreement and other loan documents with the owners.

**Contract Renewals and Performance Outcomes:**

Not applicable

**Fiscal and Facilities Impacts:**

Budgeted: Yes

**Fiscal Analysis:**

<b>Funding Sources</b>	<b>Current FY Cost:</b>	<b>Annualized On-going Cost:</b>	<b>Total One-Time Project Cost</b>
General Fund			
State			
Federal			\$ 1,429,684.00
Fees			
Other: In-Lieu			
<b>Total</b>	\$ -	\$ -	\$ 1,429,684.00

Narrative:

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

**Key Contract Risks:**

Contracts are not being executed at this time. If one or both of the projects receive allocations of LIHTC and other funds needed for the project(s) to proceed, staff will return to the Board for firm commitments of funds and execution of County loan documents. If one or both Projects do not receive allocations of LIHTC, staff may return to the Board to extend the funding reservation(s) or to re-allocate the funds to other eligible projects.

**Staffing Impacts:**

The current requested activity falls within currently budgeted staff duties. However, a future commitment of County funds to the Projects will necessitate regulatory monitoring for a minimum of 20

years and fiscal monitoring for the term of the loans. Monitoring will be conducted by CSD existing staff.

**Special Instructions:**

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

**Attachments:**

- A. County Letter of Reservation of Funds – Harry's House
- B. County Letter of Reservation of Funds – Escalante Meadows