



**Community
Services
Department**
Connecting People to Opportunities

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Date: February 8, 2016

To: Santa Barbara County Capital Loan Committee

From: Laurie Baker, Grants and Program Manager

RE: Meeting of the Capital Loan Committee
February 11, 2016, 1:00 – 3:00 P.M.
706 Laguna St., Santa Barbara, CA

The purpose of this staff report is to provide information on certain applications received by the County in response to a Notice of Funding Availability (NOFA), issued November 2, 2015. Funds will be awarded by the County for the following federal programs: Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME) and Emergency Solutions Grants (ESG). The full NOFA may be accessed at <http://cosb.countyofsb.org/housing/>.

The County's Capital Loan Committee makes funding recommendations to the County Board of Supervisors for capital and other eligible programs under the CDBG and HOME programs. Applications for the development of affordable housing, requesting HOME or other housing funds, are accepted on a year-round basis. Applications for all other programs are accepted during the annual NOFA process. Applications received under the ESG program and the CDBG program for public services, are reviewed by a sub-committee of the County's Human Services Commission.

Background:

The County of Santa Barbara is the lead entity of the CDBG Urban County partnership. The Urban County is comprised of the County, and the cities of Buellton, Carpinteria, and Solvang. The City of Lompoc withdrew from the Urban County partnership and will receive its CDBG allocation beginning with FY 2016-17. The Urban County receives an annual allocation of federal CDBG funds to provide grants and loans to support a variety of community projects and programs. Up to 20% of the funds are used by the County to cover the administration of the CDBG program. In addition, up to 15% may be used to support community services operated by non-profit organizations. The remaining funds may be used for other eligible activities, including rehabilitation of public and non-profit facilities, infrastructure improvements, economic development and other eligible activities.

FY 2016-17 NOFA:

The County's Department of Community Services, Division of Housing and Community Development (HCD) issued a Notice of Funding Availability (NOFA) in November 2015 to solicit applications for awards of CDBG funds for fiscal year 2016-2017, which begins July 1, 2016. The CDBG allocation for FY 2016-17 is estimated based on the prior year allocation (adjusted for the withdrawal by the City of Lompoc). HUD will announce the actual allocation amount on or about March 2016. The FY 2015-16 CDBG allocation was \$1,584,252.

After deducting the estimated reductions for the withdrawal of Lompoc and the amounts permitted for administration (20%) and public services (15%), the amount of funds available for other eligible projects is estimated to be \$772,323. Each member of the Urban County partnership receives a percentage of the allocation, based on population, poverty and overcrowding data provided by the Census Bureau.

Adjustments to Available Funds

The partner cities may identify qualifying projects in their respective communities to fund with their sub-allocations, or distributions, of CDBG. The cities of Buellton, Carpinteria and Solvang did not identify eligible projects in their communities that could use FY 2016-17 CDBG funds for non-public services; therefore, to comply with the CDBG expenditure requirements, those funds were added to the County's distribution and will be awarded to eligible projects through the County's application process.

Finally, there is a balance of unused prior year CDBG funds in the amount of \$359,963; of which \$339,963 is being added to the County's available funds for projects, leaving a \$20,000 balance. Therefore, the amount available to award to Countywide projects is estimated to be \$1,112,286.

Jurisdiction	Distribution	Pro Rata Share	Adjustments	Total
County	85.24%	658,365	+ 113,598	772,323
Buellton	3.07%	23,735	- 23,735	0.00
Carpinteria	8.33%	64,360	-64,360	0.00
Solvang	3.35%	25,863	- 25,863	0.00
TOTAL		\$772,323		772,323
			Plus prior years' uncommitted funds	+339,963 \$1,112,286

Capital Loan Committee:

On March 1, 2011, the County Board of Supervisors directed staff to utilize the Capital Loan Committee (CLC) for HOME and CDBG capital funding recommendations and a sub-committee of the Human Services Commission to act as the review committee for CDBG Public Services. In addition, the Board limited the distribution of CDBG Capital funding to less than or equal to 50% for County projects, and further directed staff to be mindful of geographic distribution.

The BOS also directed staff to limit the distribution of CDBG capital funding to less than or equal to 50% for County projects and to be mindful of geographic distribution. This was not directed to be a formal Board policy, and the County supports funding fewer projects that can be completed in relative short duration and that will expend larger amounts of funds.

HCD staff reviewed each application and will provide its funding recommendations to the CLC at a public meeting on February 11, 2016. The agenda, with the date and time of the meeting, will be posted at least 72 hours in advance of the meeting on public bulletin boards located at the County Administration buildings in both north County and south County. In addition, the agenda and meeting materials will be posted on HCD's website at countyofsb.org/housing/.

Applicants may attend the public meeting to hear the staff report and be available to answers questions of Committee members. The Committee may concur with staff recommendations or suggest an

alternate funding scenario. The recommendations by staff and the Committee will be presented by staff to the County Board of Supervisors (BOS) at a regularly-scheduled public hearing. The date and time of the public hearing, along with meeting materials, will be made public per the County Clerk of the Board process. Board meeting information may be found at www.countyofsb.org/.

Application Review

HCD staff first screened applications for the following criteria:

1. CDBG Eligibility
 - a. Meets a HUD National Objective
 - b. The proposed project is a CDBG qualifying activity
 - c. Proposed costs to be reimbursed with CDBG funds are eligible
2. Meets a County Consolidated Plan Priority¹ (High or Low)
3. HUD has not listed the organization on its excluded parties list
4. Met performance goals and outcomes, and was compliant with CDBG regulations and reporting requirements (applicants funded with CDBG in the prior fiscal year)
5. Review of organizations' financial statements for financial risk, based on an analysis of:
 - a. Comparison of income to expenses
 - b. Liquidity/cash on hand
 - c. Debt obligations
 - d. Revenue dependency on government funds

Staff also took into consideration HUD expenditure requirements, ensuring that the County expends CDBG funds in a timely manner. Therefore, projects that can be completed in short duration will be prioritized. A few of the criteria used to evaluate project readiness include:

- Amount of request and detailed budget
- Project type and complexity
- Project timeline
- Status of site control, financing commitments, and engineering and architectural plans; appropriate zoning and permit readiness
- Type of environmental review required (historic buildings add a minimum of 30 days for historic review)
- Relocation requirements, if any
- Applicant capacity

Other considerations may include:

- Community need and highest and best use of public funds
- HCD staff capacity to adequately manage the number of contracts awarded
- Monitoring responsibilities by the County relative to the public benefit achieved

¹ Consolidated Plan Priorities include funding critical community facilities, removing architectural barriers to people with mobility impairments, maintaining or upgrading existing low-income affordable housing stock, improving the physical character of neighborhoods, including complete streets, parks, and other public spaces, and expanding the supply of permanent supportive housing and Single-Room Occupancy (SRO) units to address the needs of the homeless, households at imminent risk of becoming homeless and/or special needs clients.

Project Evaluation:

HCD received the following number of applications by type requesting HOME and CDBG funds:

CDBG: Capital Projects	5
CDBG: Assistance to Micro-Enterprise Businesses	1
HOME: Tenant-Based Rental Assistance	3

Below is a summary of each application.

CDBG CAPITAL PROJECTS

1. Richardson Park Picnic Area ADA Improvements– County, Community Services Department, Parks Division

Project Description: Install ADA accessible concrete paths around BBQ service tables and approx. 1,400 sq.ft. of decorative concrete pad underneath the picnic area. Existing picnic area shade structure will be replaced to accommodate the ADA modifications and more clearly identify the park. Permanently mounted ADA picnic benches, ADA serving tables and an ADA drinking fountain with bottle-filling capability also will be installed.

Strengths: County has site control and project will be overseen by an experienced County Project Manager. The project will serve a low-income residential community and will complement the newly renovated public pool scheduled to be re-opened summer 2016. The project does not appear to have any environmental concerns under NEPA.

Weaknesses: According to the applicant, the project budget is higher than usual for this type of project due to the rural location.

2. Sabado Tarde Sidewalk Infill Project – County, Dept. of Public Works

Project Description: Construct an ADA accessible sidewalk on the north side of Sabado Tarde Road between Camino Corto and Camino Pescadero. The sidewalk will be approximately 2,300 feet in length and 4-5 feet wide. ADA accessible curb ramps will be constructed at roadway crossings. Currently there is only sporadic sidewalk on the north and south sides of Sabado Tarde Road with no existing continuous pedestrian access. This forces pedestrians to share the travel lanes with vehicles, skateboards, bicycles, dogs, other forms of transportations and parked cars. Construction of a continuous sidewalk will provide a safe, all weather surface for pedestrians, law enforcement and persons with disabilities to utilize. Currently, the area immediately north of the curb face is occupied by utility poles, fences, retaining walls, vegetation and other obstacles which prevent utilization of even an informal dirt pathway. This project is ready for construction and County Public Works has been actively building infill sidewalks in Isla Vista for decades.

Strengths: County has site control, and project will be overseen by an experienced County Project Manager. The project will serve a low-income residential community and will improve the pedestrian infrastructure in the Isla Vista community. The work will be conducted in the County right-of-way. The project does not appear to have any environmental concerns under NEPA.

Weaknesses: None identified.

3. Downtown Guadalupe Revitalization Plans – Guadalupe-Nipomo Dunes Center

Project Description: To fund the first phase of two tasks to restore the historic Royal Theater and the building formerly known as the Palace Hotel and Far Western Tavern in Guadalupe to increase economic growth in the community. Task 1 of this project would fund architectural, engineering, and community museum planning activities for the former Far Western Tavern (built in 1912) within a five year period. This is important because in a recent report by the Institute of Museum and Library Services, the development of museum buildings have spurred economic growth because they remove blight, improve community well-being, erase some of the neighborhood stigma that accompanies deterioration, and encourage other investment.

Strengths:

Restoration and reuse of historic buildings; removal of blight, improve economic conditions

Weaknesses: This is a very large scale and long-term project, which is in the early concept stage. CDBG is not well suited for long-term projects; however, once the project is fully designed and the project budget and financing are in place, CDBG may be requested as part of the overall budget at the time the project is ready to commence.

4. Isla Vista Youth Projects (IVYP) Legacy and Vision Campaign

Project Description: Funds will be used to complete the purchase of the building in which IVYP occupies and operates several programs. A short-term \$1.1 million loan was secured to acquire the building, which becomes due in December 2016. To-date, all but \$300,000 remains on the loan balance. IVYC believes that it will have \$200,000 secured by fall, at the time that CDBG funds will be made available. The facility houses the IV Children's Center which served 1,972 families in FY 2014-15, and provides services to 125 children and their families daily.

Strengths:

The IV Children's Center and Family Resource Center provides a valuable community resource to low- and moderate-income children and their families in the predominately low-income area of Isla Vista.

Weaknesses:

Not all of the funding has been secured to take out the short-term loan. The CDBG request of \$100,000 only partially pays the loan balance. If awarded, CDBG funds would be provided contingent upon successfully securing the remaining amount needed to fully pay the loan, and would be provided to a title company to hold in escrow until closing. In addition, the funds would

be provided in the form of a loan, with no interest accruing, and due upon transfer. Further, in accordance with CDBG requirements, the current use of the building would have to continued for at least five years.

5. St. Vincent's Affordable Housing - Fire Suppression Backflow Preventer Replacement

Project Description: A capital needs assessment revealed that the St. Vincent Gardens property, an affordable housing development in Santa Barbara, consisting of 75 units of family housing in 14 buildings, must replace 14 backflow preventers, at a total cost of \$54,250. The project was built in 2007, and the fire suppression units are nine years old and in poor condition. The backflow preventors, an important component of the fire suppression system, were rated in 'poor condition' and are being recommended for replacement. A backflow preventer device is designed to reverse the flow of nonpotable water sources, keeping the nonportable water sources from contact with potable water pipes.

Strengths:

Nearly all of the households served by this development earn 60% or less of Area Median Income (AMI), with nearly half of the residents below 50% AMI. This project ensures the health and safety of the households residing in the units, and the community residents who participate in St. Vincent's on-site programming, such as the St. Vincent's Heart food and supply pantry. The project owner will leverage County CDBG funds with \$14,996 in capital replacement reserves.

Weaknesses:

A minor concern may be that the funding for this type of infrastructure repair/replacement was not built into the overall project operating budget initially, and that there are insufficient funds in the property's capital replacement reserves for this project. The applicant reports that the backflow prevention system was not properly installed at the time of construction.

CDBG - ASSISTANCE TO MICRO-ENTERPRISE BUSINESSES

1. Women's Economic Ventures

Program Description: Women's Economic Ventures (WEV) provides Self-Employment Training (SET) and technical assistance to primarily low-income women who own or have an interest in starting micro-enterprise businesses. The term "microenterprise" means a commercial enterprise that has 5 or fewer employees, 1 or more of whom owns the enterprise. Although not a capital project, the CDBG regulations allow that funds provided for assistance to micro-enterprise businesses not be subject to the fifteen-percent (15%) cap on public services. Based on Board of Supervisor direction provided in 2015, applications submitted for micro-enterprise assistance shall be reviewed by the Capital Loan Committee.

WEV submitted an application for \$50,000 to provide technical assistance and training to existing and proposed owners of micro-economic enterprises.

HCD STAFF FUNDING RECOMMENDATIONS

The following programs are recommended for funding by HCD staff:

Organization and Project Title	Amount Requested	Recommended Funding Amount	County or Non-Profit	Location
COSB Parks Division: Richardson Park Picnic Area ADA Improvements	\$170,000	\$170,000	County	New Cuyama
COSB Public Works Dept: Sabado Tarde Sidewalk Infill Project	\$300,000	\$300,000	County	Isla Vista
St. Vincent’s Affordable Housing: Fire Suppression Backflow Preventer Replacement	\$54,250	\$54,250	Non-Profit	Santa Barbara
Isla Vista Youth Projects: IV Youth Projects Legacy and Vision Campaign	\$100,000	\$300,000	Non-Profit	Isla Vista
Women’s Economic Ventures – Self-Employment Training	\$50,000	\$50,000	Non-Profit (non capital)	Countywide
TOTAL	\$843,450	\$874,250		

Projects Not Recommended for Funding At This Time

Organization and Project Title	Amount Requested	Recommended Funding Amount	County or Non-Profit	Location
Guadalupe Dunes Center: Downtown Guadalupe Revitalization Plans	\$219,200	\$0.00	Non-Profit	Guadalupe

HOME- TENANT-BASED RENTAL ASSISTANCE (TBRA)

Three applications were submitted by nonprofit agencies to administer TBRA programs throughout the County, providing monthly rental assistance and/or security/utility deposits.

1. The Housing Authority of Santa Barbara County (HASBARCO)

Program Description: HASBARCO will assist low-income residents of the entire County (except the cities of Lompoc, Santa Maria, and Santa Barbara as each receives a direct annual CDBG allocation) with monthly rental assistance payments. HASBARCO has several years’ experience administering TBRA and staff has expertise with the income verifications and HQS inspections. Past performance has been positive, and monitoring did not identify any concerns. The total project budget is \$985,430, and HASBARCO is requesting \$967,430 in County HOME TBRA funds to assist an estimated 105 households at an average cost of \$8,950 per household. In addition to serving people on the Section 8 waiting list, efforts will be targeted to housing the homeless, veterans, persons with disabilities, seniors and persons with HIV/AIDS, by working closely with community-based organizations who serve these populations throughout the County, e.g., Good Samaritan, Common Ground, and C3H.

2. Transition House

Program Description: Transition House proposes to operate a program of TBRA rental assistance in southern Santa Barbara County, from Carpinteria to Goleta, along with its homelessness prevention program, combining rental assistance with antipoverty case management, targeted towards households facing imminent eviction and are determined to become homeless if not for the assistance. The entire program budget is \$98,000. Transition House is requesting \$20,000 in TBRA funding from the County of Santa Barbara; funding is also provided by City of Santa Barbara TBRA and private individual donations and foundations. County TBRA funding will be used expressly for rental assistance. Transition House anticipates assisting four households with short- to medium-term rental assistance averaging \$5,000 per household.

3. PATH Santa Barbara (formerly Casa Esperanza)

Program Description: PATH proposes to operate a TBRA program throughout the County (except the cities of Lompoc, Santa Maria, and Santa Barbara as each receives a direct annual CDBG allocation) targeted to homeless individuals/families with special consideration for those with disabilities. The amount of TBRA funds requested from the County is \$55,000 for program delivery costs, monthly rental assistance, and security deposits for an estimated 100 households, at an average cost of \$2,000 per household. The agency has 5 years of TBRA experience; however, the staff person to run this program has yet to be hired (or funded), and the budgeted project delivery costs of \$25,000 seem high.

HCD STAFF RECOMMENDATIONS

The primary purpose of the HOME program is to develop affordable housing units. In years when the pace of housing development is slower, and there may be risk of recapture of HOME funds by HUD, TBRA has proven to be an alternative program for the use of HOME funds. However, although the demand for TBRA is high, TBRA does not create permanent housing for low-income households. Therefore, HCD will first consider proposed housing development projects prior to recommending funds for TBRA. Currently, the demand for HOME and other County funds for housing development projects on HCD's list of proposed projects far exceeds funds currently available and amounts expected in future years.

The County has uncommitted, prior year HOME funds, in the amount of \$857,178 that must be committed by fall 2016. Currently HCD has six proposed housing development projects on its list; however, only one will be ready to enter into an agreement with the County by the commitment deadline. The balance of uncommitted funds that must be committed is estimated to be \$412,178. Other proposed housing developments will be ready for a commitment of HOME funds over the next two or more years.

HCDS recommends that the estimated balance of \$412,178 in uncommitted funds that are at risk of recapture by HUD be used to fund TBRA programs.

The following programs are recommended by HCD staff:

Organization and Project Title	Amount Requested	Recommended Funding Amount	Service Area
HASBARCO	\$967,430	\$338,000	Countywide
PATH	\$55,000	\$55,000	Countywide (except Lmpc, SM, SB)
Transition House	\$20,000	\$20,000	So-Co Carpinteria - Goleta
	\$1,042,430	\$413,000	

LETTERS OF INTENT TO APPLY FOR HOUSING DEVELOPMENT FUNDS

Applications for housing development funds are accepted by the County on a year-round basis; however, to assist County staff in understanding the potential demand for limited resources, the County encouraged developers to submit Letters of Intent to apply for funds that may be made available for affordable housing development.

One Letter of Intent to apply (LOI) was received during the NOFA process:

<u>Organization</u>	<u>Project</u>	<u>Location</u>	<u>Request Amount</u>
SB County Housing Authority	Depot Street	Santa Maria	\$2 million

County HCD staff will return to the Capital Loan Committee when full applications are received from the organizations and staff determines that the projects are in a sufficient state of readiness to be considered for funding.

cc: Dinah Lockhart, Deputy Director Housing and Community Development
George Chapjian, Community Services Director