



Community Services Department

Connecting People to Opportunities

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CAPITAL LOAN COMMITTEE STAFF REPORT - HOUSING PROJECTS

For the meeting of:

Date: May 14, 2019

Time: 2:00 p.m. – 4:00 p.m.

Location: 706 Laguna St., Santa Barbara, CA

BY: Ted Teyber, Housing Program Specialist
Division of Housing and Community Development (HCD)

RE: Funding recommendations for housing projects utilizing State funds

The purpose of this staff report is to provide information to the Capital Loan Committee (Committee) on proposed affordable housing projects under consideration for funding provided by the State of California. The State delegated authority to the County to identify eligible projects for the funds. The Committee is being requested to review the proposals for feasibility before the projects are presented to the County Board of Supervisors (Board). Final project approvals or funding reservations/preliminary allocations will be made by the Board at regularly-scheduled Board meetings. Projects may be scheduled on the Board agenda on various dates. The Board schedule will be posted at <http://sbchome.co.santa-barbara.ca.us/>.

NOTICE OF FUNDING AVAILABILITY

The County's Community Services Department, Division of Housing and Community Development Division (HCD) issued a Notice of Funding Availability (NOFA) on October 12, 2018 which made available over \$15 million in local, state and federal funding. The NOFA may be viewed at www.countyofsb.org/housing. In addition to federal entitlement funding such as Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME), new funding streams from the State of California became available. Following are descriptions of these State funding programs for projects being presented to the Capital Loan Committee today:

- The State of California No Place Like Home (NPLH) program provides funding and tools to address affordability issues associated with creating housing units that are specifically set aside for persons with serious mental illness who are chronically homeless, homeless, or at-risk of being chronically homeless. Under the program, the State (and in some cases, the County) may make loans to reduce the initial cost of acquisition and/or construction or rehabilitation of housing, and may set funds aside to subsidize extremely low rent levels over time. A one-time allocation of non-competitive funds will be allocated to the County to be awarded to projects by the County. Competitive funds are awarded by the State via periodic NOFAs until funds are exhausted. <http://www.hcd.ca.gov/grants-funding/active-funding/nplh.shtml>. NPLH requires funded projects to participate in the County's coordinated entry system (CES) for placements.
- The State of California Homeless Emergency Aid Program (HEAP) provides assistance to Continuums of Care to address the homelessness crisis. The County of Santa Barbara is the Administrative Entity for the Santa Maria/Santa Barbara County Continuum of Care (CoC), which

geographically encompasses Santa Barbara County. HEAP funds address immediate homeless challenges throughout the CoC Service Area. Capital housing projects must utilize the County's Coordinated Entry System (CES) for placements and the Homeless Management Information System (HMIS). The Santa Barbara COC has prioritized acquisition of temporary or permanent housing units for HEAP funding. HEAP can be used to create permanent housing opportunities for individuals and families experiencing homelessness.
https://www.bcsb.ca.gov/hcfc/aid_program.html

APPLICATION REVIEW

The NOFA instructed applicants with proposed housing development projects to submit Letters of Intent (LOI) to apply by the application deadline. This first step enabled County staff to prioritize proposed projects based on readiness to proceed given the limited available resources and strict state and federal timelines for expenditure and project completion. County staff reviewed projects for basic threshold requirements. Proposed projects were placed in the following categories:

1. Projects that will have all financing committed for applicable project costs (acquisition, rehab and/or new construction) or will be ready to apply to the State for low-income housing tax credits (LIHTC) on or before June 30, 2019. These applicants were invited to submit a full housing application by January 11, 2019.
2. Projects that will be ready to apply for LIHTC after June 30 but before December 31, 2019.
3. Projects that do not meet the criteria listed in numbers 1 or 2 above, may apply in the next NOFA cycle. Exceptions will be made for projects that plan to apply to the County and State for NPLH funds only (no other County-administered funds included), which will be considered in conjunction with the State's NOFA schedule.

Projects that met the criteria in No. 1 above were reviewed and considered by the Capital Loan Committee at the 2/14/19 meeting. Two of the projects that met the criteria in No. 2 above were on the Capital Loan Committee 3/28/19 agenda. For review today is a revised financing plan for one project reviewed at that 3/28/19 meeting, and one new project. HCD Staff will continue to work with developers on other projects that met the criteria in No. 2 above to be placed on the agenda for future Committee meetings.

HCD Staff Review

Staff screened applications for the following:

- ✓ Eligibility for funding based on criteria of the funding source
- ✓ Meets a County Consolidated Plan Priority¹
- ✓ Timing of financial commitments and applications to State for LIHTC, if applicable
- ✓ Construction timeline
- ✓ Itemized development budget and minimum 15-year operating proforma was submitted.
- ✓ Review of income and rent limits as applicable for the funding source.
- ✓ Project readiness by evidence of site control, zoning approvals, completion of architectural, engineering and other pre-development activities
- ✓ Applicant experience and financial capacity

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.

CoC Rank and Review Committee Review

Requests for HEAP funds were reviewed by the Santa Maria/Santa Barbara County Continuum of Care (CoC) Rank and Review Committee using the scoring criteria listed below.

- ✓ Program Eligibility
- ✓ Alignment with California’s Housing First Policy
- ✓ Commitment to use County’s Homeless management Information System (HMIS)
- ✓ Commitment to participate in the County’s Coordinated Entry System
- ✓ Applicant financial capacity and capacity to administer the project and associated programs
- ✓ Support for the need of the project
- ✓ Performance and documentation of results
- ✓ Meets established local priority
- ✓ Coordination and Collaboration with other agencies and providers

Capital Loan Committee Review

The Capital Loan Committee (Committee) is being asked to review the projects for construction and long-term feasibility. Project development budgets and operating proformas are provided for each project. The County will record regulatory agreements on the property to ensure income and rent restrictions for 15 years for HEAP projects. The State will record regulatory agreements on the property to ensure income and rent restrictions for 30 years for NPLH projects.

Applicants were invited to attend the Committee meeting to answer any questions the Committee may have on their projects.

County Board of Supervisors (Board)

Projects that are recommended for funding by staff and Committee, will be placed on the agenda of a regularly-scheduled Board meeting for funding reservations/preliminary allocations, or funding approvals and execution of grant or loan documents. Projects will be scheduled according to project timelines and availability on the Board calendar.

HCD STAFF AND CONTINUUM OF CARE FUNDING RECOMMENDATIONS

The following projects met the criteria in No. 2 above and are recommended for funding by the Santa Maria/Santa Barbara County Continuum of Care (CoC) and/or staff. Staff will return to the Capital Loan Committee at a later date with additional CoC-recommended projects.

Developer/ Project Title	Population/ Occupants	Amount Requested	HCD Recommendation	Funding Source	Project Location
FBSMV	Transition Age Youth (TAY)	\$481,500	\$481,500	HEAP	Santa Maria
West Cox	Special needs persons experiencing homelessness, veterans and persons with disabilities	\$2,850,000	\$2,850,000	HEAP (\$1,350,000) & NPLH (\$1,500,000)	Santa Maria

PROJECT DESCRIPTIONS

I. Fighting Back Santa Maria Valley (FBSMV) – 424 E. Park Ave

Exhibit 1 – Development Budget and Operating Proforma

FBSMV is proposing the acquisition and development of the property known as 424 E. Park Avenue in the City of Santa Maria. FBSMV is applying for HEAP funds to fund acquisition of the property. The existing house on the property currently has four (4) bedrooms. Each existing bedroom will be used for a total of four (4) SRO units. In connection with the proposed acquisition, FBSMV may use the additional HEAP funds recommended by the CoC for supportive services and necessary improvements to the property after closing of acquisition, including, termite remediation, roof replacement, and laundry appliances.

The property is within walking distance of Allan Hancock College, the Santa Maria Transit Center, the Santa Maria Mall, and the Santa Maria Library. FBSMV is currently under contract to purchase the property, and is hoping to close June 14, 2019, conditioned upon County approval of HEAP funding.

FBSMV plans to use Family Unification Program (FUP) vouchers as a rental subsidy, and has submitted to HCD a letter from the Santa Barbara County Housing Authority stating that such vouchers are generally available. For project years 1 and 2, FBSMV also is seeking HEAP funds as a temporary rental subsidy for participants without a voucher. Thereafter, FBSMV will use its cash reserves, as necessary, and has private funding commitment letters to cover shortages when vouchers and/or HEAP funds are not available. FBSMV has conservatively projected on the proforma that tenants would not have income and, therefore, not be contributing to rent; however, tenants with an income source would be required to pay 30% of their income towards rent, or rent and utilities, as applicable.

As shown in years 1 and 2 of the proforma, HEAP funds will be used to support a full time case management position for the project's Transitional Age Youth (TAY) residents. After this 2-year funding cycle, FBSMV plans to expand existing funding from the Santa Maria-Bonita School District, or secure new money from Allen Hancock College, to continue this full time case manager position.

II. Housing Authority County of SB– West Cox Apartments

Exhibit 2 – 9% Development Budget and Operating Proforma

Exhibit 3 – 4% Development Budget and Operating Proforma

As reviewed by the Committee on March 28, 2019, the Santa Barbara County Housing Authority is proposing to develop the property located at 1141 West Cox Lane in the City of Santa Maria with thirty (30) 1-bedroom rental units consisting of 16 newly constructed pre-fabricated buildings.²

While the design and unit-count of the project have not changed, the developers now intend to submit an application to the California Tax Credit Allocation Committee's (CTCAC) for 9% low-income housing tax credits (LIHTC), which is allocated on a competitive basis. Previously, the Committee reviewed the project utilizing a 4% non-competitive LIHTC. If the Housing Authority is not awarded the 9% Tax Credits by CTCAC, they will then submit an application for 4% LIHTC, which was the financing plan previously reviewed by the Committee. Therefore, a budget and proforma using 9% LIHTC are attached as Exhibit 2, and a proforma using 4% LIHTC is attached as Exhibit 3.

² One manager's unit without income or rent restrictions; 13 units will be NPLH residential units of which three will be restricted to 50% area median income (AMI) and 10 restricted to 60% AMI. Remaining units will be restricted to 60% AMI. An additional community building for resident support services, a community meeting room, computer lab, and clinic will be included.

Total project costs in the 9% LIHTC scenario are \$9,065,877, whereas the total development costs in the 4% scenario are \$8,645,424. These total development costs are each detailed on the Sources and Uses Budgets attached as Exhibit 2 and Exhibit 3. In either scenario, the developers are requesting a total of \$2,850,000 in State funding, \$1,500,000 of which are NPLH and \$1,350,000 of which are HEAP funds for the 30-unit development.

Attachments:

Exhibit 1 – FBSMV Budget & Proforma

Exhibit 2 – West Cox 9% Budget and Proforma

Exhibit 3 – West Cox 4% Budget and Proforma

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