

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY
AND RECORD OF ACTION**

February 6, 2024

FROM

CARRIE HARMON, Director, Community Development and Housing Department

SUBJECT

Revocable Grant Agreement with the City of Fontana

RECOMMENDATION(S)

1. Approve Revocable Grant **Agreement No. 24-117**, and its related exhibits, in an amount not to exceed \$5,000,000, with the City of Fontana to assist with the acquisition of a motel located on Valley Boulevard in the City of Fontana, to be used as interim housing for families and individuals who are experiencing homelessness or are at risk of homelessness, for a 15-year term commencing when the City of Fontana completes the construction of the necessary improvements.
2. Authorize the Chair of the Board of Supervisors, the Chief Executive Officer, or the Director of the Community Development and Housing Department, upon consultation with County Counsel, to make any necessary non-substantive modifications to the exhibits attached to the Revocable Grant Agreement, including the Regulatory Agreement, and execute all required documents and modifications, including escrow instructions, related to the transaction.
3. Direct the Director of the Community Development and Housing Department to transmit the Revocable Grant Agreement and its related exhibits, to the Clerk of the Board of Supervisors within 30 days of execution.
4. Authorize the Auditor-Controller/Treasurer/Tax Collector to post the necessary budget adjustments, as detailed in the Financial Impact section (Four votes required).

(Presenter: Carrie Harmon, Director, 382-3983)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Promote the Countywide Vision.

Create, Maintain and Grow Jobs and Economic Value in the County.

Ensure Development of Well-Planned, Balanced and Sustainable County.

Provide for the Safety, Health and Social Services Needs of County Residents.

Pursue County Goals and Objectives by working with Other Agencies and Stakeholders.

FINANCIAL IMPACT

Approval of this item will not result in the use of additional Discretionary General Funding (Net County Cost). This item seeks authorization for the use of up to \$5,000,000 from the San Bernardino County's (County) Housing Development Grant Fund (Fund), established as part of the Homeless Initiatives Spending Plan approved by the Board of Supervisors (Board) on March 28, 2023 (Item No. 21), for the acquisition of an existing 60-unit motel by the City of Fontana (City).

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Approval of this item authorizes the Auditor-Controller/Treasurer/Tax Collector to post the following budget adjustments necessary to the Community Development and Housing Department (CDH) 2023-24 budget.

Cost Center	Commitment Item/GL	Description	Action	Amount
6210002496	53003205	Public Assistance	Increase	\$5,000,000
6210002496	40909975	Operating Transfers In	Increase	\$5,000,000
1161161000	55305030	Operating Transfers Out	Increase	\$5,000,000
1000	37008771	Fund Balance Assigned-Supporting Vulnerable Populations Reserve	Decrease	\$5,000,000

BACKGROUND INFORMATION

On November 14, 2023 (Item No. 28), the Board passed Resolution No. 2023-203 committing up to \$5,000,000 of Second District American Rescue Plan Act (ARPA) funding for the City of Fontana’s Homeless Shelter Project (Project) for the purposes of acquiring a motel located at 17133 Valley Boulevard in Fontana to provide interim housing to unsheltered county residents. At the time of the approval, the Homeless Ad Hoc Committee (Committee), which was established by the Board on October 3, 2023 (Item No. 6), was actively meeting to delve deeper into the root causes of homelessness in county, with the goal of establishing guidelines to drive homeless investment and policy decisions. The Committee’s efforts culminated in the production of Housing Guidelines for Homeless Shelter Projects (Housing Guidelines), which were presented to the Board for consideration and approval.

On January 23, 2024 (Item No. 29), the Board approved the Housing Guidelines to provide guidance in the evaluation of proposed housing projects to help direct the County’s homeless response efforts. Following the passage of the Guidelines, the Project was re-evaluated for funding under the County’s Fund, which was established as part of the Homeless Initiatives Spending Plan approved by the Board on March 28, 2023 (Item No. 21). The Fund makes available \$40,000,000 in funding through a competitive application process to support city and other locally sponsored projects which expand sheltering and housing capacity countywide.

The Housing Guidelines establish the following criteria to be used as benchmarks to evaluate projects for County investment.

Criteria	Benchmarks
Project Proforma	Standard project proforma submitted that clearly identifies all capital funding sources and includes a five-year operational plan.
Operational Plan	Detailed operational plan that identifies supportive services, property costs, and identification of all revenue sources to support operations.
Need (based on most recent Point-in-Time County [PITC]; city and district level)	Funding targeted to cities and districts disproportionately impacted by homelessness.
Type of Facility	Priority given to low-barrier, navigation facilities; facilities that will serve as regional hubs.

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Bed Capacity	Priority given to navigation center projects providing 100 or more beds. Other projects with specialty beds will be considered on their own merit.
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The Project was evaluated against these criteria and was deemed to substantially meet or exceed the established benchmarks. Particular areas of strength with this Project include the provision of a strong 10-Year proforma, an innovative operational plan which leverages existing motel voucher funding, ability to serve as a regional shelter, price per door, bed capacity (the facility will provide over 100 beds), and an expedited Project timeline.

The City is seeking to take a lead role in addressing homelessness. A significant barrier faced by the City is the lack of shelter beds and affordable housing units. Currently, the City has 12 emergency shelter beds, 20 transitional housing beds, and 10 permanent supportive housing beds. This sheltering and supportive housing capacity has limited the City's ability to address the needs of the 240 unsheltered homeless individuals who were counted in Fontana during the 2023 PITC.

In response to this sheltering deficit, the City has initiated a city-sponsored interim housing project which involves the acquisition and conversion of an existing 60-unit motel into an interim housing facility with up to 120 beds. During the 15-year term, the property will be operated as an interim shelter. A Regulatory Agreement, which is an exhibit to the Revocable Grant Agreement, will be recorded against the property. The total estimated capital budget for the shelter is \$15,300,000, which is comprised of \$14,550,000 for acquisition costs that include escrow, title, feasibility reviews, and \$750,000 for construction costs for the customization and conversion of the facility. The City has provided an Opinion of Value and an Income Capitalization Valuation, which was conducted by an independent third-party broker. The Opinion of Value, which uses the land value and replacement cost approach for valuation of the property, estimates the property's value at \$16,537,273. The per unit cost for acquisition is less than the cost per door to construct a new facility or acquire an existing multi-family housing development of comparable size.

The City has dedicated \$6,300,000 in ARPA funds for the acquisition and has received a \$4,000,000 Federal earmark from the United States Department of Housing and Urban Development. The City has requested assistance from the County to bridge the remaining \$5,000,000 funding gap for acquisition. The \$15,300,000 total cost translates to a \$127,500 development cost per bed. If approved, the County's contribution would equate to approximately \$41,650 per bed.

The City has committed to providing several sources of funding that it has at its disposal to assure the viability and quality of operations at this shelter facility. These funding sources include funding from the Community Development Block Grant, Emergency Solutions Grant, Opioid Settlement funds, and City General funds. The operational funding plan is also utilizing motel voucher funding currently being used at scattered-site motels, thereby leveraging this previously untapped financial resource. Currently, the County and other non-profit partners issue over \$4,000,000 dollars in motel vouchers annually, which provide emergency shelter to homeless individuals and families. Additionally, the City will make shelter beds available to partnering cities through a collaborative funding partnership that allows participating cities to support a specific number of beds. The City has also committed to filling any gaps in funding using other potential revenue sources if needed.

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The City will procure both a facility operator and a shelter operator who can ensure effective property management and the provision of onsite supportive services. Direct services offered to residents will be housing-focused with a strong emphasis on linking clients to permanent housing. The City will also participate in the County's Coordinated Entry System, which allows for centralized referrals and the County's Homeless Information Management System to monitor, track and report project data.

Escrow opened on October 19, 2023, and is scheduled to close by the end of February 2024, with construction expected to commence almost immediately. Construction and renovation are expected to be completed by the end of May 2024, and operations are anticipated to begin in June 2024. If approved, the Project is expected to bring up to 120 new shelter beds within the next six months.

PROCUREMENT

In early August 2023, CDH released a Fund Request Form (FRF) with the guidelines for the Fund. The Fund was originally established on March 28, 2023 (Item No. 21), when the Board approved the County Homeless Initiatives Spending Plan, which advances the goals and objectives of the 2022 Homeless Strategic Action Plan. The goal of the FRF is to help identify proposed projects in need of gap funding, in cities and unincorporated areas, that will expand sheltering and housing capacity for homeless individuals and families. In August 2023, the City submitted an application for a homeless shelter, which included the acquisition and renovation of a local motel to provide interim housing and supportive services to unsheltered residents. The Project met all benchmarks for feasibility, impact, project readiness, and operational sustainability.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Suzanne Bryant, Deputy County Counsel, 387-5455) on February 1, 2024; Auditor-Controller/Treasurer/Tax Collector (Vanessa Doyle, Deputy Chief Controller, 382-3195) on February 1, 2024; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on January 19, 2024; Finance (Christopher Lange, Administrative Analyst, 386-8393) on February 1, 2024; and County Finance and Administration (Cheryl Adams, Deputy Executive Officer, 388-0332) on February 1, 2024.

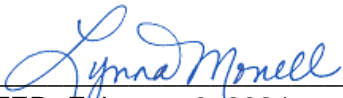
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Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

Moved: Joe Baca, Jr. Seconded: Curt Hagman
Ayes: Col. Paul Cook (Ret.), Jesse Armendarez, Dawn Rowe, Curt Hagman, Joe Baca, Jr.

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: February 6, 2024



cc: CDH - Harmon w/ agrees for sign
Contractor c/o CDH w/ agree
File w/ agree
JLL 02/6/2024