

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

October 6, 2020

FROM

**TERRY W. THOMPSON, Director, Real Estate Services Department
CASONYA THOMAS, Assistant Executive Officer, Human Services**

SUBJECT

Acquisition of a Residential Care Facility for the HomeKey Program in the City of San Bernardino

RECOMMENDATION(S)

1. Approve the acquisition of approximately 6.82 acres of land improved with six residential buildings totaling 15,797 square feet [Assessor's Parcel Numbers (APNs) 1191-141-36, 37, 38, 40 and 42] located at 2626 & 2634 East Pacific Street in the City of San Bernardino (Property), for the purchase price of \$2,700,000 plus escrow and title fees estimated to be \$6,000, to implement a County-led acquisition project using HomeKey Program grant funding, in accordance with Government Code Section 25350.
 2. Approve the Purchase and Sale Agreement and Joint Escrow Instructions between the County of San Bernardino and The Salvation Army, a California Corporation, to acquire said property.
 - 2-3. [Authorize the Director of the Real Estate Services Department, upon prior review and approval by County Counsel, to execute amendments to the Purchase and Sale Agreement and Joint Escrow Instructions, except amendments affecting the purchase price, with amendments delivered to the Clerk of the Board within 30 days of execution.](#)
 - 3-4. Confirm a finding of exemption and direct the Clerk of the Board to post a Notice of Exemption as required under the California Environmental Quality Act.
 - 4-5. Authorize the Director of the Real Estate Services Department to execute escrow instructions, and any other documents necessary to complete this transaction.
 - 5-6. Approve appropriation and revenue adjustments to the HomeKey Program (CIP 21-109) Budget to fund the acquisition of the Property and authorize the Auditor-Controller/Treasurer/Tax Collector to post the necessary budget adjustments, as detailed in the Financial Impact Section. (Four votes required).
- (Presenter: Terry W. Thompson, Director, 387-5252)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Promote the Countywide Vision.

Improve County Government Operations.

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

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

FINANCIAL IMPACT

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). The cost to acquire this Property in fee simple is \$2,700,000 and will be funded by the State of California (State) HomeKey Program Grant funds. The grant funding agreement is anticipated to be approved in October, upon acceptance of the grant by the Board of Supervisors (Board). As a condition of the Purchase and Sale Agreement, the County must receive the formal award of funds letter and approval of the State HomeKey Grant agreement. Other costs associated with

the acquisition including but not limited to staff's time, title review, due diligence review, site review, and escrow and title fees will be funded by the Federal Coronavirus Aid, Relief, and Economic Security (CARES Act) Coronavirus Relief Funds, if no other funding is available. Appropriation and revenue adjustments for the acquisition of the Property are as follows:

Funds/Cost Center	WBSE	Commitment Item	Action	Amount
6210001000	99.60.1010.75.02	55305030	Increase	\$2,700,000
6210001000	N/A	40408955	Increase	\$2,700,000
7700003100	10.10.1106	54004005	Increase	\$2,700,000
7700003100	10.10.1106	40909975	Increase	\$2,700,000

BACKGROUND INFORMATION

The recommended actions will authorize the acquisition of approximately 6.82 acres of land improved with a residential care facility for a purchase price of \$2,700,000, to be funded by a HomeKey Program (HomeKey) grant award. The subject site offers six permanent buildings totaling approximately 15,797 square feet plus approximately 2.57 acres of vacant land for future development. This Property is located at 2626 & 2634 E. Pacific Street in the City of San Bernardino.

HomeKey is the next phase of the State's response to protecting Californians experiencing homelessness who are at high risk of serious illness and are impacted by COVID-19. The State issued a Notice of Fund Availability (NOFA) for HomeKey on July 16, 2020, with a priority application deadline of August 13, 2020. The HomeKey NOFA included \$600 million in grant funding to be made available to local public entities, including cities, counties, or other local public entities, including housing authorities or federally recognized tribal governments within California to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings, and other buildings and convert them into interim or permanent, long-term housing. The \$550 million in Coronavirus Relief Funds (CRF) must be expended by December 30, 2020. The accelerated expenditure deadline is challenging; however, the deadline is a requirement of federal CRF funding. The \$50 million in State General Funds must be expended by June 30, 2022.

On August 11, 2020 (Item No. 23), the Board authorized the County of San Bernardino to submit a County-led HomeKey non-binding application for grant funding. On August 13, 2020, the County submitted the grant application in the amount of \$2,700,000 to purchase the Property to create 28 interim housing units for homeless individuals who are at high risk of serious illness and likely to be impacted by COVID-19. The future goal is to transition the 28 interim housing units into permanent housing. Because the HomeKey grant must be spent on or before December 30, 2020, the grant funds will be used for the acquisition costs of the Property.

Human Services identified the Property, currently owned and operated by the Salvation Army, as a potential HomeKey location and requested the Real Estate Services Department (RESA) assist with completing the acquisition. The Salvation Army provided an appraisal dated August 7, 2020, which was prepared by James G. Towers, MAI, AI-GRS, who determined the market value to be \$2,700,000. RESA agreed with the value and negotiated a Purchase and Sale Agreement (PSA) based on the appraisal. The PSA has been signed by the Salvation Army, but is subject to subsequent approval by their Board of Directors, expected in mid-October. Upon mutual execution of the PSA, and based on a timeline imposed by the grant requirements, the County will have approximately 25 days to complete its due diligence and close escrow.

Because the acquisition of the Property is dependent on the approval of the HomeKey Grant funds, the PSA includes a closing condition that the County must receive the formal award of funds letter and approval of the State HomeKey Grant Agreement. The grant is expected to be

awarded in October. However, to move the project forward due to the aggressive December 30, 2020 expenditure deadline included in the Federal CRF legislation, staff is recommending the Board approve the PSA now in order to initiate the acquisition and due diligence process with enough time to close escrow in advance of the expenditure deadlines. If the HomeKey Grant is not awarded, or the acquisition is compromised in any way, the County can terminate the PSA at any time prior to the close of escrow.

Additionally, approval of this item will authorize the Director of RESD to execute escrow documents, such as amended escrow instructions, property disclosures, notices (such as an election to proceed), contingency waivers, and settlement statements. The Director of RESD will not be authorized to execute any documents that would bind the County to any actions not contemplated by, or arising from, the transaction which is the subject of these recommendations

The acquisition and rehabilitation of this Property to provide HomeKey housing is exempt from the California Environmental Quality Act (CEQA) as a Class 1 exemption for minor alteration and use of existing facilities, pursuant to Section 15301 of the CEQA guidelines.

PROCUREMENT

The County can purchase this Property pursuant to Government Code Section 25350. The County has complied with the publication requirements of Government Code Section 6063.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Robert Messinger, Principal Assistant County Counsel and Suzanne Bryant, Deputy County Counsel, 387-5455) on September 15, 2020; Real Estate Services Department (Terry W. Thompson, Director, 387-5252) on September 15, 2020; Community Development and Housing Agency (Dena Fuentes, Deputy Executive Officer, 387-4411) on September 15, 2020; Finance (Wen Mai, Principal Administrative Analyst, 387-4020 and John Hallen, Administrative Analyst, 388-0208) on September 15, 2020; and County Finance and Administration (Robert Saldana, Deputy Executive Officer and Matthew Erickson, County Chief Financial Officer, 387-5423) on September 15, 2020.

(BJO: 659-4676)