

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

January 5, 2021

FROM

GARY HALLEN, Director, Community Development and Housing

SUBJECT

Authorize the Submittal of a Competitive No Place Like Home Funding Application and Adopt Additional Funding Resolutions for Redlands Supportive Housing, L.P. for the Liberty Lane Housing Project

RECOMMENDATION(S)

1. Authorize the County to submit, and authorize the Chairman of the Board of Supervisors or the Chief Executive Officer, upon consultation with County Counsel, to sign an application for, and any required ancillary documents related to, the California Department of Housing and Community Development Competitive No Place Like Home program.
 2. Adopt a **Resolution No. 2021-005** to apply for and, if awarded, accept a loan of up to \$12,980,544 from the Competitive No Place Like Home program to develop 39 No Place Like Home units.
 3. Adopt a **Resolution No. 2021-006** committing up to \$6,006,612 to develop a total of 80 affordable housing units, as detailed below:
 - a. \$1,869,102 of HOME Investment Partnerships Program
 - b. \$1,050,000 of Special Needs Housing Program
 - c. \$1,050,000 of Redevelopment Agency Loan Repayment
 - d. \$1,437,510 of County Housing Monies
 - e. \$600,000 in Federal Neighborhood Initiative Program
 4. Authorize the Chairman of the Board of Supervisors or the Chief Executive Officer, upon consultation with County Counsel, to make necessary non-substantive modifications, approve, and execute all required certificates, letters, and related ancillary documents to enable the execution of funding applications for the Liberty Lane project.
 5. Direct the Community Development and Housing Department Director to transmit all documents to the Clerk of the Board within 30 days of execution.
- (Presenter: Gary Hallen, Director, 387-4411)

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 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 total cost for the 80 unit Liberty Lane Affordable Housing Development (Project) is \$45,698,392, which includes \$39,326,714 of construction costs and \$6,371,678 of operating

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costs, of which the County of San Bernardino's (County) contribution is up to \$6,006,612 as detailed in the chart below. The No Place Like Home (NPLH) Competitive application is a \$12,980,544 funding request. If NPLH funds are secured, the financing plan includes applying for 9% Low Income Housing Tax Credits (LIHTC) resources. The \$6,006,612 of County housing resources are available in the current approved 2020-21 budget and will be included in the 2021-22 Community Development and Housing (CDH) recommended budget. Once all funds are secured, CDH will return to the Board of Supervisors (Board) for approval of the required real estate and loan documents. The County is prohibited from entering into a loan agreement until such time as the NPLH and LIHTC funding is secured for the project. The Proposed County project sources are as follows:

Source	Amount
HOME Investment Partnership Program (HOME)	\$1,869,102
Redevelopment Agency (RDA) Loan Repayment	\$1,050,000
Special Needs Housing Program (SNHP)	\$1,050,000
County Housing Monies	\$1,437,510
Neighborhood Initiative Program (NIP)	\$ 600,000
Total	\$6,006,612

BACKGROUND INFORMATION

The proposed Project, located at the southwest corner of Texas Street and Lugonia Avenue in the City of Redlands, will provide 80 affordable housing units, including 62 permanent supportive housing (PSH) units for the homeless population. Of the 62 PSH units, 23 units will be for veterans who are homeless, and 39 units will be reserved for homeless individuals that qualify for Department of Behavioral Health (DBH) services. The remaining 18 affordable units will be for low income individuals and families. This development will assist the County in moving closer to the goal of ending homelessness, particularly veteran's homelessness, and providing housing for low income households. The Board's approval of both resolutions will extend the County's funding commitment to allow the Developer sufficient time to identify and apply for alternate funding sources and LIHTC financing. The NPLH application process is lengthy and requires coordination with other County Departments. The application deadline is January 19, 2021.

The Board has supported the Developer in applying for different State resources (see summary of board actions), however, the Project was unsuccessful. Since that time, the COVID-19 pandemic has occurred and has had significant impacts to construction costs and Low-Income Housing Tax Credits valuation. Based on the updated proforma, the total project cost is \$45,698,392, \$39,326,714 for construction and \$6,371,678 for operating) which is an increase of 10 percent as a result in construction cost estimates. The estimated Project construction cost is \$39,326,714 or a per unit cost of \$491,583 for 80 units. Of the cost per unit, the County's contribution is \$65,450, or 13%. Because this project includes a number of units for the homeless population who have little income, the project also requires an operating subsidy to offset the lower rental revenue being generated by the tenants. The County operating subsidy is \$770,538 for 80 units, which equates to approximately \$9,631 per unit.

The County's proposed commitment of up to \$6,006,612, which includes \$5,236,074 for capital and \$770,538 for operational assistance, allows the Project to apply for funding and leverage an additional \$39,191,780 in federal, state and third-party financing to construct and operate. If the Project is successful in securing funding an action will be brought back to the Board in the form

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of a loan agreement with the Developer at an interest rate of 3% and a repayment term of 57 years. The County commitment and anticipated other funding sources are summarized below:

Financial Sources for Construction	Amount	Cost per Unit	% of Total
Tax Credit Equity	\$22,497,751	\$281,222	58%
NPLH Capital	\$7,379,404	\$92,242	19%
Veteran Homeless Housing Program	\$3,713,485	\$46,419	9%
County Capital Assistance	\$5,236,074	\$65,450	13%
Deferred Developer Fee	\$500,000	\$6,250	1%
	\$39,326,714	\$491,583	100%

Financial Sources for Operations	Amount	Cost per Unit	% of Total
NPLH Operational Assistance	\$5,601,140	\$70,014	87%
County Operational Assistance	\$770,538	\$9,631	13%
	\$6,371,678	\$79,645	100%

There are two Resolutions associated with this item. The first Resolution is specific to the Competitive NPLH application, and the second Resolution addresses the County's commitment of funds. As detailed in the Financial Impact section's chart, the County is proposing to commit an allocation of up to \$6,006,612. This commitment allows the County to submit a Competitive NPLH funding application, with assistance from the Developer, in the amount of \$12,980,544, of which \$5,601,140 will be allocated to a Capitalized Operating Subsidy Reserve (COSR). The COSR is an operating reserve created for rental subsidies collected pursuant to State NPLH guidelines. Per the No Place Like Home guidelines, only counties can apply for NPLH funds. Per the first Resolution, the County is applying for and, if awarded, accepting the Competitive NPLH Funds on behalf of the Developer and the Project. However, all funds will be disbursed through a State HCD Standard Agreement in which the parties to the agreement are CDH and the Developer. If the Project secures an allocation of competitive NPLH funds, the Developer will then submit an application to the State of California for an allocation of a competitive 9% LIHTC in July 2021.

The Developer has owned the property since 2016. Originally, the financial structure was predicated upon the Developer having successfully secured Veterans Affairs Supportive Housing (VASH) vouchers. However, by the time the Developer successfully resolved a California Environmental Quality Act lawsuit in 2018, the vouchers were unavailable. Over the course of the last year, the County and the Developer have revised the financial structure for the Project to include a COSR. The COSR will provide for a long-term rental subsidy in addition to other funding sources. Of the approximate \$6,006,612 County subsidy commitment, an estimate of \$770,538 will be used as COSR. The County's COSR and other commitments from the Housing Authority to be made available at the time of the construction will result in a higher NPLH Project score and make the project more competitive to secure this State funding.

Summary of Prior Board Actions

On February 14, 2017 (Item No. 81), the Board of the Housing Authority of the County of San Bernardino approved the commitment of 68 Project-based Vouchers to support the Liberty Lane Veterans Housing Development Project.

On December 17, 2019 (Item No. 20), the Board approved an application to the California Department of Housing and Community Development Competitive 2020 No Place Like Home

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funding program. Resolution 2019-185 committed the following County housing resources: \$1,547,000 of HOME monies, \$1,050,000 Special Needs Housing Program funds, \$10,752,862 Redevelopment Agency Loan Repayment revenue, \$2,453,000 of County Housing Funds, and \$600,000 of Neighborhood Initiative Program funds for a total commitment of \$6,700,000. Resolution 2019-186 supported the Developer's application to request up to \$10,752,860 of Competitive NPLH funds, of which the Developer was unsuccessful in securing an allocation from the State.

On June 9, 2020 (Item No. 21), the Board adopted a resolution extending the County's funding commitment of up to \$5,442,510 to July 30, 2021, allowing the Developer sufficient time to identify and apply for alternate funding sources and LIHTC financing. The approval of the Resolution provided the Developer the opportunity to submit the required application to the California Department of Housing Community Development for the Housing for a Healthy California program by June 25, 2020 to secure funding. The Developer was not successful in securing the Housing for a Healthy California program funding allocation.

PROCUREMENT

The County has been working to construct an affordable housing project in the City of Redlands for several years and in 2018, after a Notice of Funding Availability process, A Community of Friends' (General Partner with Redlands Supportive Housing, L.P.) Liberty Lane project was selected as the project used to apply for the second round of the Competitive NPLH Program. The Project was selected from three (3) proposals received.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Suzanne Bryant, Deputy County Counsel, 387-5455) on December 17, 2020; Finance (Kathleen Gonzalez, Administrative Analyst, 387-5412) on December 17, 2020; and County Finance and Administration (Robert Saldana, Deputy Executive Officer, 387-5423) on December 21, 2020.

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Record of Action of the Board of Supervisors
County of San Bernardino

APPROVED (CONSENT CALENDAR)

Moved: Joe Baca, Jr. Seconded: Janice Rutherford

Ayes: Col. Paul Cook (Ret.), Janice Rutherford, Dawn Rowe, Curt Hagman, Joe Baca, Jr.

Lynna Monell, CLERK OF THE BOARD

BY



DATED: January 5, 2021



cc: W/RESOLUTION
File- Community Development and Housing w/attach
LA 01/8/2021