



# San Bernardino County

## Legislation Text

**File #: 1471, Agenda Item #: 20**

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

**December 17, 2019**

#### **FROM**

**GARY HALLEN, Director, Community Development and Housing**

#### **SUBJECT**

Authorize the Submittal of a Competitive No Place Like Home Funding Application and 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 and any required ancillary documents related to the California Department of Housing and Community Development Competitive No Place Like Home funding program.
2. Adopt a Resolution committing up to \$6,700,000 to develop a total of 80 affordable housing units, as detailed below:
  - a. \$1,547,000 of HOME Investment Partnerships Program
  - b. \$1,050,000 of Special Needs Housing Program funds
  - c. \$1,050,000 of Redevelopment Agency Loan Repayment funds
  - d. \$2,453,000 of County Housing Monies
  - e. \$600,000 in Neighborhood Initiative Program funds.
3. Adopt a Resolution to apply for and, if awarded, accept a loan up to \$10,752,862 of Competitive No Place Like Home funds to develop 39 No Place Like Home units.
4. Direct the Community Development and Housing Department Director to transmit all documents, including a completed Competitive No Place Like Home funding program application, 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 construction cost for the 80-unit Liberty Lane Affordable Housing Development (Project) is estimated to be \$41,160,000, of which the County of San Bernardino's (County) contribution is up to \$6,700,000 as detailed in the chart below. If the No Place Like Home (NPLH) Competitive loan funds of approximately \$10,752,862 are

awarded to the Project and 9% Low Income Housing Tax Credits (LIHTC) equity funds of approximately \$19,468,000 are awarded to A Community of Friends' Redlands Supportive Housing L.P. (Developer), the Community Development and Housing Department (CDH) will return in early 2020-21 to the Board of Supervisors (Board) for approval of the required real estate documents. Additional NPLH loan details are provided in the background information. In anticipation of the Project successfully securing a NPLH allocation and 9% LIHTC resources, CDH will include the \$6,700,000 of housing sources in their fiscal year 2020-21 recommended budget. The proposed County project sources are as follows:

Sources	Amount
HOME Investment Partnership Program (HOME)	\$1,547,000
Redevelopment Agency (RDA) Loan Repayment	\$1,050,000
Special Needs Housing Program (SNHP)	\$1,050,000
County Housing Monies	\$2,453,000
Neighborhood Initiative Program (NIP)	\$600,000
<b>Total:</b>	<b>\$6,700,000</b>

### **BACKGROUND INFORMATION**

The proposed Project, located at the southwest corner of Texas Street and Lugonia Avenue in Redlands, will provide 80 units of affordable housing, including 62 permanent supportive housing (PSH) units. It is anticipated that 23 units will be targeted to veterans who are homeless, 29 units reserved for homeless individuals that qualify for Department of Behavioral Health (DBH) services, and ten units provided for homeless families that qualify for DBH services. The remaining 18 affordable units will be targeted toward low income individuals and families, with a preference for veterans. This development will assist the County in moving closer to the goal of ending homelessness, particularly veteran homelessness, and providing housing for low-income households.

The total construction cost of the Project is estimated to be \$41,160,000 which equals an overall per unit cost of \$514,500 for 80 units. Of the cost per unit, the County's contribution is \$83,701 or 16%. The per unit cost for the Project, which contains 62 PSH units requires several different funding resources in order to remain financially stable to meet both LIHTC and regulatory requirements. The County's proposed commitment of up to \$6,700,000 allows the Project to leverage an additional \$34,000,000 in state and third-party financing to construct and operate the Project.

Financial Sources	Amount	Cost per Unit	Percent of Total
Tax Credit Equity	\$19,468,000	\$243,350	47%
Non-County Financial Assistance	\$14,496,000	\$181,200	35%
Deferred Developer Fee	\$500,000	\$6,250	2%
County Cash Assistance	\$2,593,000	\$32,413	6%
County-Funded Operating Reserve (COSR)	\$4,103,000	\$51,288	10%
<b>Total:</b>	<b>\$41,160,000</b>	<b>\$514,501</b>	<b>100%</b>

There are two Resolutions associated with this item. The first Resolution proposes the County's commitment of funds while the second Resolution is specific to the Competitive NPLH application.

As detailed in the Financial Impact section's chart, the County is proposing to commit an allocation of up to \$6,700,000. This commitment allows the County and the Developer to submit a Competitive NPLH funding

application in the amount of \$10,752,862. Per the No Place Like Home guidelines, only counties can apply for these funds. Per the second 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 of California Housing and Community Development Standard Agreement in which the parties to the agreement are CDH and 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 \$19,467,979 in competitive 9% LIHTC in July 2020.

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 required to be removed from the Project. Over the course of the last year in working together, the County and the Developer have analyzed a new financial model for the Project. This new financial model includes the creation of a County Capitalized Operating Subsidy Reserve (COSR) to provide much-needed long-term rental subsidy in the absence of vouchers. Of the approximate \$6.7 million County subsidy commitment, an estimate of \$4,100,000 will be used as COSR and an estimate of \$2,600,000 will be provided in capital.

In a companion item today, the County's DBH department is also requesting approval to allocate \$1,050,000 of SNHP funds to the Project.

### **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, 387-8979) on November 22, 2019; Finance (Kathleen Gonzalez, Administrative Analyst, 387-5412) on November 26, 2019; and County Finance and Administration (Robert Saldana, Deputy Executive Officer, 387-5423) on December 2, 2019.