



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 4/5/2022

To: Sonoma County Board of Supervisors and Board of Commissioners of the Sonoma County Community Development Commission

Department or Agency Name(s): Community Development Commission

Staff Name and Phone Number: Dave Kiff, (707) 565-7504

Vote Requirement: 4/5th

Supervisorial District(s): Countywide

Title:

Acquisition of real property at 18100 Highway 116, Guerneville, CA, and allocation of State Homeless Housing, Assistance, and Prevention Round-2 (HHAP-2) and Russian River Shelter funds to complete the purchase of this property. Affirm previous staff action changing an allocation of Safe Parking funds to the Sebastopol Horizon Shine Safe Parking project and enable State HHAP-2 funds to be used for a portion of the George's Hideaway Project's capital match.

Recommended Action:

Board of Commissioners:

- A) In furtherance of the direction provided on 03/22/2022 by the Board of Supervisors to direct the Interim Executive Director of the Community Development Commission ("Commission") to return to the Board with an agenda item to acquire the property at 18100 Highway 116, Guerneville, CA (known as George's Hideaway) for the purposes of a Homekey permanent supportive housing site, authorize the Interim Executive Director of the Commission to execute all documents necessary to close on the sale transactions for the stated property;
- B) Find that doing so is intended to meet all or portions of the local capital match commitment to the State of California's Housing and Community Development (HCD)'s Homekey-2 program per the Commission's application to HCD for a 21-unit Permanent Supportive Housing (PSH) site at George's Hideaway; and
- C) Authorize the Interim Executive Director of the Sonoma County Community Development Commission to file Notices of Exemption in compliance with the California Environmental Quality Act. (4/5th vote required)

Board of Supervisors:

- A) Direct that funding for the acquisition be \$270,000 from the County's Homeless Housing, Assistance, and Prevention (HHAP-2) funds and \$715,000 from redevelopment capital funds set aside for the purpose of acquiring and constructing a Russian River area shelter; and
- B) Affirm Commission staff's December 7, 2021 action to allocate \$270,000 from the County's Safe Parking funds set aside for George's Hideaway to the Sebastopol "Horizon Shine" safe parking project operated by Sonoma Applied Village Services (SAVS); and
- C) Adopt budget resolution authorizing \$715,000 in Redevelopment Agencies Dissolution fund balance to transfer to the Community Development Commission for the acquisition of George's Hideaway. (4/5th Vote Required)

Executive Summary:

This item authorizes the Commission staff to purchase the George's Hideaway project west of Guerneville, CA, for \$849,000 (not including associated purchasing costs to us as buyer, which bring the overall total to up to \$985,000) using a portion of the \$1,200,000 for the purpose of addressing Russian River area homeless needs.

The Commission has a current Purchase and Sale Agreement with the owners of George's Hideaway, which expires on or after April 6, 2022. The owner has expressed the owner's desire to move quickly on the sale and not wait further.

Attached to this item is the Purchase and Sale Agreement (Attachment 1), as well as a recent appraisal (Attachment 2), Phase I environmental analysis for the property (Attachment 3), and a summary of estimated purchase and related costs (Attachment 4).

On March 22, 2022, staff and the Board discussed whether to purchase the property outright, given that the seller has concerns about the long lead time in securing a Homekey-2 award. The seller is willing to maintain the purchase and sale agreement's parameters until the end of April 6, 2022. If the County does make this purchase, it would do so to advance the capital matching requirement for the Homekey-2 award, but before the state grant is confirmed.

Discussion:

The California Department of Housing and Community Development (HCD) announced the availability of approximately \$1.45 billion in Homekey-2 funding statewide. Homekey-2 is intended to "sustain and rapidly expand the inventory of housing for people experiencing homelessness or who are at risk of homelessness and who are, thereby, inherently impacted by or at increased risk for medical diseases or conditions due to the COVID-19 pandemic."

Homekey-2 is an opportunity for state, regional, and local public entities to develop a broad range of housing types, including but not limited to hotels, motels, hostels, single-family homes and multifamily apartments, adult residential facilities, and manufactured housing, and to convert commercial properties and other existing buildings to Permanent or Interim Housing for persons experiencing homelessness.

Of the \$1.45 billion in Homekey-2 funds:

- \$1.2 billion comes from the American Rescue Plan Act of 2021 (ARPA) and offered for site acquisition and master leasing; and
- \$250 million comes from the state's General Fund, is intended to be used either for site acquisition or operating subsidies for Homekey-2 sites.

Funds are broken down by geographic region throughout the state and have specific carve-outs for tribal entities and TAY projects. The Board's staff report on October 26, 2021 has more detail, including discussion about projects in Sonoma County.

In early March, 2022, the County received word from HCD that the geographic set-aside of Homekey-2 funds for the Bay Area (nearly \$200,000,000) was oversubscribed, meaning that the County's project and several others in Sonoma County did not secure state funding in the initial application review period, despite the fact that our application was in well before the early application deadline. However, in late March 2022, HCD staff told us that the state would soon begin allocating about \$240 million in a separate statewide discretionary reserve set-aside (20% of all Homekey-2 funds) and would notify us soon whether the county's project would

be part of this “bucket” of funds.

Additionally, HCD is set to release a Homekey-3 round in Fall 2022 with generally the same amounts of money assigned to it.

This item is specifically about the George’s Hideaway site project in Guerneville, CA. The proposed Homekey-2 project, which was submitted to the State on December 17, 2021, asked for about \$7,560,000 in Homekey funds, which would:

- Purchase the property
- Conduct extensive site improvements (including wastewater connections)
- Remodel the existing Lodge into 6 permanent supportive housing (PSH) units
- Remodel the existing duplex into 2 PSH Units and a manager’s unit
- Install up to 13 modular homes on the site to create 13 PSH units.
- Provide a portion of 3 years’ worth of operating costs, provided that local funding (including housing vouchers) provide an additional four years, plus any shortfalls in the three years that the State provides.

Part of attaining the \$7,560,000 award is a local capital match, which can be up to \$1,900,000 depending on the award. When we wrote the application, we envisioned that all or portions of \$1,200,000 in redevelopment dollars set aside for a Russian River area shelter be used for this local match. Other funds that may be used for the match include competitive Urban County CDBG funds, HOME-ARP funds, HHAP-2 funds, County Fund for Housing, and more.

At the Board meeting on March 22, 2022, staff and the Board discussed whether to purchase the property outright, given that the seller has concerns about the long lead time in securing a Homekey-2 award. The seller has noted that their recent willingness to maintain the purchase and sale agreement’s parameters would end on April 6, 2022. If the County did make this purchase, it would do so to advance the capital matching requirement for the Homekey-2 award.

There is some risk in advancing this purchase, as the Homekey-2 award may not be made. However, staff believes that this project will continue to score highly either within the State’s Discretionary Reserve or in Homekey-3.

If the property does not secure Homekey-2 or Homekey-3 funds, the County’s options include, but are not limited to, identifying other fund sources to complete the improvements at once or in phases (including Federal HOME funds, Community Development Block Grant funds, future State allocations of HHAP), land-banking it for a period of time, or deciding to surplus the property if it cannot be used for housing purposes in the near future.

The costs to the County’s funds to purchase and secure the property are estimated at \$985,000, which includes the purchase price of \$849,000 as well as various studies (appraisal, Phase 1 environmental, and more). Please see the Fiscal Impacts narrative for the funding sources.

Importantly, this action, if approved, also affirms staff’s action to change an allocation made by the Board on December 7, 2021. The Board’s allocation that day was to assign \$270,000 in “Safe Parking” funds to the Hideaway project and \$80,000 to the City of Sebastopol for the Horizon Shine safe parking project. As the Board is aware, one goal of the Safe Parking funds was to stand up projects on or before February 28, 2022. Without ownership of the Hideaway, this goal was not achieved at George’s Hideaway. However, the Horizon

Shine project in Sebastopol was making progress, and the project required a different funding source given that safe parking was later determined to be an ineligible expense under its primary anticipated funding source (State Emergency Solutions Grants - Coronavirus or ESG-CV).

To keep the Horizon Shine project on schedule, staff consulted with the CAO and County Counsel in asking that more of the Board's Safe Parking funds be re-directed to Horizon Shine, with other funds (HHAP-2) going to George's Hideaway (when ready) to replace the redirection. Staff pledged to return to the Board to ratify the action in arrears.

In other words, this action seeks ratification of the following:

Before

Funding Source	Horizon Shine	George's Hideaway	Supportive Services for NCS sites
County Safe Parking	\$80,000	\$270,000	\$0
State ESG-CV (CoC)	\$368,000	\$0	\$0
HHAP-2 (County)	\$0	\$0	\$0
Russian River Shelter	\$0	\$0	\$0

Recommended

Funding Source	Horizon Shine	George's Hideaway	Supportive Services for NCS sites
County Safe Parking	\$350,000	\$0	\$0
State ESG-CV (CoC)	\$0	\$0	\$368,000
HHAP-2 (County)	\$80,000	\$270,000	\$0
Russian River Homeless (Reinvestment & Revitalization)	\$0	\$715,000	\$0

We note that is the County's intended practice to consult with the Continuum of Care Board on decisions regarding funding for homelessness activities. Of the above funding recommendations, all were made with some level of consultation with the CoC Board, except for the specific source of funds used for the Hideaway project. Our Project Homekey applications and approach have been discussed with the CoC Board, and the Horizon Shine changes were brought to the CoC Board for approval.

California Environmental Quality Act (CEQA)

The Class 1 Existing use exemption under 14 CCR 15301, applies to minor alterations to existing private structures or facilities involving negligible or no expansion of existing or former use. Under the existing facilities exemption, the alternations could include, among others: (1) interior or exterior alterations involving plumbing, electrical conveyances; (2) rehabilitation of deteriorated facilities to meet current standards of public health and safety (i.e., fire sprinklers and accessibility); (3) or additions to existing structures. The change in use from hotel occupancy to temporary transitional housing does not change the intensity in use of

the development and the duration of stay of an occupant does not change the impacts that the hotel has on the environment. The alterations anticipated at the George’s Hideaway Lodge and Duplex include but are not limited to the renovation of the Lodge’s upper level into six permanent supportive housing rooms, the renovation of the Lodge’s lower level into areas for service provision such as case management and navigation services, and the renovation of the existing duplex into three units, with two being permanent supportive housing and one being a manager’s unit.

Strategic Plan:

This item directly supports the County’s Five-year Strategic Plan and is aligned with the following pillar, goal, and objective.

Pillar: Healthy and Safe Communities

Goal: Goal 4: Reduce the County’s overall homeless population by 10% each year by enhancing services through improved coordination and collaboration.

Objective: Objective 2: Identify and leverage grant funding sources for permanent supportive and affordable housing development.

Prior Board Actions:

October 26, 2021 - Project Homekey-2

December 7, 2021 - 24-7 Safe Parking Programs and Indoor-Outdoor NCS Opportunities

March 22, 2022 - An Update on Homekey-2 and Allocation of the Early Capital Match

FISCAL SUMMARY

Expenditures	FY 21-22 Adopted	FY22-23 Projected	FY 23-24 Projected
Budgeted Expenses	\$270,000		
Additional Appropriation Requested	\$715,000		
Total Expenditures	\$985,000		
Funding Sources			
General Fund/WA GF			
State/Federal (HHAP-2)	\$270,000		
Fees/Other (Russian River R&R Funds)	\$715,000		
Use of Fund Balance			
Contingencies			
Total Sources	\$985,000		

Narrative Explanation of Fiscal Impacts:

This agenda item would use one-time capital funds of \$985,000 to secure the purchase of the affected property. The capital funds include:

- \$270,000 from State Homeless Housing, Assistance, and Prevention funds (Round-2) that have been reserved for the purpose of securing Permanent Supportive Housing; and
- \$715,000 in Russian River shelter funds (classified as redevelopment proceeds) set aside for the

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purchase and construction of a shelter facility for the Russian River Area. This would leave about \$485,000 in that funding source. Additional Appropriations of \$715,000 are being requested via the attached Board Resolution for the receipt of revenue and expenditures from the RDA Dissolution Distribution Fund to the Commission. The remaining appropriations of \$270,000 are already in the Commission’s FY2021/22 Budget.

The agenda item also asks for affirmation of a recent re-direction by Commission staff of “Safe Parking” funds. In December 2021, the Board directed that \$270,000 be assigned to George’s Hideaway for a safe parking location and \$80,000 to the City of Sebastopol for the Horizon Shine project. This assumed that the Hideaway would be owned and open as soon as February 28, 2022. Staff later needed to move quickly to allow the Horizon Shine to replace previously-allocated State ESG-CV funds of about \$368,000 with other operational funds (as State ESG-CV does not clearly allow safe parking as an eligible use). We shifted the Hideaway’s Safe Parking allocation to Horizon Shine, with the expectation that the HHAP-2 funds could be shifted back to the Hideaway project to replace those funds.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

- Attachment 1 - Purchase and Sale Agreement
- Attachment 2 - Appraisal
- Attachment 3 - Phase I Environmental Review
- Attachment 4 - Estimate of Closing and Related Costs
- Attachment 5 - Budget Resolution

Related Items “On File” with the Clerk of the Board:

None