



COUNTY OF SONOMA

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

SUMMARY REPORT

Agenda Date: 6/12/2023

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

Department or Agency Name(s): Sonoma County Community Development Commission

Staff Name and Phone Number: Michelle Whitman, (707) 565-7504

Vote Requirement: 4/5th

Supervisorial District(s): Countywide

Title:

Approval of Exclusive Right to Negotiate Agreement with Burbank Housing Development Corporation for Elderberry Commons

Recommended Action:

- A. Authorize the Sonoma County Community Development Commission to enter into an Exclusive Right to Negotiate a Property Transfer Agreement with Burbank Housing Development Corporation for the Elderberry Commons property.
- B. Make findings that the Exclusive Right to Negotiate Agreement is exempt under §15262 of the CEQA Guidelines (feasibility and planning studies).
- C. Adopt a resolution authorizing the Executive Director, or designee, to execute all Project Homekey documents for the Elderberry Commons project on behalf of the County of Sonoma for participation in the Project Homekey Program and take any other actions necessary to effectuate the terms and conditions of the Standard Agreement and Homekey Program.
- D. Adopt a resolution authorizing the Executive Director, or designee, to utilize funds from the Whole Person Care Pilot Allocation to make a budgetary adjustment to the FY 2022-23 adopted budget.

Executive Summary:

On August 18, 2020, the Board of Supervisors (Board) approved Resolution #20-0303 that granted the Sonoma County Community Development Commission (Commission) staff the authority to submit applications for funding on behalf of the County to the California Department of Housing and Community Development (HCD) Homekey Program. Staff submitted two applications for round one Homekey funding: one for the Hotel Azura (also known as Mickey Zane Place) in Santa Rosa and another for the Sebastopol Inn (also known as Elderberry Commons).

After a Request for Qualifications (RFQ) and proposals for the rehabilitation, construction, long-term management, and/or ownership, staff is requesting authority for the Executive Director of the Commission, or designee, to enter into an Exclusive Right to Negotiate Agreement with Burbank Housing Development Corporation (Burbank) to negotiate the transfer of the property known as Elderberry Commons to Burbank and allow Burbank to convert the property to permanent supportive housing. Upon completion of conversion and transfer of ownership, Burbank will manage operations, with West County Community Services (WCCS) providing the necessary supportive services.

The Commission received only one response to the RFQ, a joint proposal from Burbank and WCCS for both

George's Hideaway and Elderberry Commons, two of the three Commission-owned Homekey sites. The response stipulated the Commission provide all funding for the costs associated with the conversion of both Homekey sites. This stipulation was requested as there were no other funds identified or available to Burbank or WCCS to pay for the costs to convert the sites.

Commission staff would return to the Board for approval of a Property Transfer Agreement with Burbank once it is finalized. Upon completion of conversion and transfer of property to Burbank, the Commission will no longer be the legal owner of Elderberry Commons.

Discussion:

Elderberry Commons Homekey Award Background and Timeline

Under HCD's Homekey 1 Program, a total of \$600 million in grant funding was made available to local public entities to purchase and rehabilitate hotels and motels to provide housing for individuals and families experiencing homelessness or at risk of homelessness and who were impacted by the COVID-19 pandemic. The program encouraged applicants to convert the properties into long-term, permanent supportive housing.

On September 24, 2019, the Board directed the Interim Executive Director of the Commission to act on behalf of the County in connection with the one-time housing funds for Whole Person Care Pilot Allocation (WPC) award in the amount of \$3,284,476 and to enter into, execute, and deliver any and all documents required or deemed necessary or appropriate to be awarded the WPC award and all amendments thereto. The WPC funds were awarded to the County on September 30, 2019.

On November 7, 2020, HCD's Homekey Program approved the County's application for Hotel Azura in the amount of \$8,800,000 for capital and acquisition.

On November 10, 2020, the Board authorized the Commission to purchase both the Mickey Zane Place and Elderberry Commons. The Commission provided a report to the Board that noted approval of the Mickey Zane Place application in the amount of \$8,800,000 in capital and acquisition funds from Homekey. The report also noted that the application for Elderberry Commons for \$6,200,000 in capital funds and \$744,000 in operating funds was on the waiting list. The funding plan included in this Board item identified the WPC funds as an available source for Homekey 1 projects: Mickey Zane Place and Elderberry Commons, which was still on the Homekey 1 waitlist.

On November 30, 2020, HCD approved the County's Homekey application for Elderberry Commons in an amount of \$6,200,000 for capital and acquisition funds.

On December 15, 2020, the Board adopted a budget resolution amending the Commission's FY 2020-21 adopted budget in the amount of \$6,200,000 for the receipt of Homekey funding and expenses associated with the purchase, capital improvements, and operations of Elderberry Commons.

On December 17, 2020, using \$6,191,135 of the awarded and received \$6,200,000, the Commission purchased Elderberry Commons to operate as a temporary non-congregate shelter during the federally declared COVID emergency and to convert it to affordable, permanent supportive housing within 5 years.

Homekey Projects and Elderberry Commons

The Commission currently owns three Homekey properties: Mickey Zane Place and Elderberry Commons purchased with Homekey round 1 funding to be converted to permanent supportive housing with local or other funding; and George's Hideaway purchased with the Board of Supervisors' local discretionary funding to be converted to permanent supportive housing with Homekey round 2 and local funding.

Elderberry Commons is a 31-unit motel property built in 2000 and acquired by the Commission in December 2020 with Homekey funds. The building is approximately 11,000 square feet and has a lobby, office, and two laundry rooms. From conception, the project was intended to provide initial temporary non-congregate shelter to the vulnerable homeless population in response to the COVID-19 pandemic and then be converted to permanent supportive housing. The property was used as temporary non-congregate shelter for vulnerable populations in response to the COVID-19 pandemic from December 27, 2020, to May 1, 2023.

The State and County declared the end of the public health emergency on February 28, 2023. Having succeeded in meeting the goal of protecting vulnerable homeless population through the provision of temporary non-congregate shelter during the COVID-19 pandemic, the conversion to permanent supportive housing is the next step in completing this important project. Once converted, the project will provide stable permanent supportive housing to homeless persons and/or those at risk of becoming homeless with income levels not exceeding 30% of the Area Median Income (AMI).

The Commission has no long-term interest in owning the Homekey sites. The intention is to transfer long-term ownership to Burbank to manage operations at Elderberry Commons, with WCCS as the service provider. In order to negotiate the Property Transfer Agreement, the Commission must have authority to enter into an Exclusive Right to Negotiate Agreement (ERNA) with Burbank. Site control through the ERNA will enable Burbank to seek and apply for long-term operational funding that will assist in paying for rental subsidies and supportive services for the future successful operation of Elderberry Commons. The ERNA will have an initial term of 180 days during which Burbank will have site control, and the specific terms of the transfer would be negotiated. Extensions of the ERNA term would be available at the Commission's Executive Director's discretion if additional time is necessary to complete the negotiations of the transaction documents. Commission staff would return to the Board for approval of a Property Transfer Agreement with Burbank once it is finalized. Concurrent with the Property Transfer Agreement, Commission staff would also seek Board approval of a Professional Services Agreement with Burbank for the management of the conversion of the site to permanent supportive housing.

Resolution

Resolution #20-0303 authorized the Interim Executive Director by name at the time, as opposed to only using the position title, as having authority to execute the application and the Homekey documents on behalf of the applicant for participation in the Homekey Program. Due to the use of the former Interim Executive Director individual's name in the resolution, only that former staff person (no longer employed by the County or Commission) has the authority to execute any Homekey documents. Upon Board approval of the actions related to Elderberry Commons included in this request, the Commission will need to submit a request to HCD to change the authorization for any Homekey-related documents to the title of the Executive Director position and not an individual person.

Conversion

Conversion of Elderberry Commons to permanent supportive housing is the ultimate long-term goal for the project. Conversion must happen swiftly to minimize the period of vacancy. During the term of the ERNA, Commission will work with design professionals to develop conversion plans and specifications to be included in the application for the building permit to allow conversion work to start immediately after transfer to Burbank.

The intention is for Burbank to own and operate Elderberry Commons as permanent supportive housing for the long term. Transferring the property to Burbank will allow them to directly manage the conversion work and ensure the improvements are completed with Burbank's oversight and under their control so that the final

permanent supportive housing development meets Burbank’s expectations.

Target dates for conversion are:

- Design and permitting completion - August 31, 2023
- Construction completion - January 15, 2023
- 90% permanent supportive housing occupancy - February 15, 2024

Upon completion of transfer of property to Burbank, the Commission will no longer be the legal owner of the property. Burbank will become the legal owner and assume all responsibilities of ownership of the property, building, and improvements. With the conversion of the property to permanent supportive housing and transfer of the property, a 55-year affordability covenant will be recorded against the parcel to ensure its continued use as permanent supportive housing.

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 3: In collaboration with cities, increase affordable housing development near public transportation and easy access to services.

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

Prior Board Actions:

August 18, 2020 - Resolution #20-0303 to authorize the Commission to apply for Homekey round 1 funding

November 10, 2020 - Resolution #20-0421 to authorize purchase of Homekey 1 properties

December 15, 2020 - Budget Resolution #20-0475 to authorize acceptance of Homekey 1 award for Elderberry Commons

FISCAL SUMMARY

Expenditures	FY 22-23 Adopted	FY23-24 Projected	FY 24-25 Projected
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

None

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

Narrative Explanation of Staffing Impacts (If Required):

No additional staffing is required for this item.

Attachments:

Attachment 1 - Exclusive Right to Negotiate Agreement

Attachment 2 - Resolution to Authorize Execution of All Project Homekey Documents

Attachment 3 - Resolution for Budgetary Adjustment

Related Items "On File" with the Clerk of the Board:

Resolution #19-0394

Resolution #20-0303

Resolution #20-0421

Budget Resolution #20-0475