



COUNTY OF SONOMA

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

SUMMARY REPORT

Agenda Date: 3/7/2023

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: Rhonda Coffman, (707) 565-7542

Vote Requirement: 4/5th

Supervisorial District(s): Countywide

Title:

Approval of Pre-Development Agreements for the Conversion of George's Hideaway to Permanent Supportive Housing

Recommended Action:

Board of Commissioners:

- A) Authorize the Executive Director or Interim Executive Director of the Sonoma County Community Development Commission, or designee, to execute a Professional Services Agreement with Burbank Housing Development Corporation to provide pre-development and project management services for the renovation and development of George's Hideaway into a 21-unit permanent supportive housing project for an amount not to exceed \$1,265,700.
- B) Authorize the Sonoma County Community Development Commission to enter an Exclusive Right to Negotiate a Property Transfer Agreement with West County Community Services for the George's Hideaway property.
- C) Adopt a Resolution authorizing the Executive Director of the Sonoma County Community Development Commission, Interim Executive Director of the Sonoma County Community Development Commission, or designee, to execute all Project Homekey documents for the George's Hideaway project, Standard Agreement 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) Make findings that the Professional Services Agreement and Exclusive Right to Negotiate Agreement are exempt under Section 15262 of the CEQA Guidelines (feasibility and planning studies).
- E) Adopt resolution adjusting the Community Development Commission's FY 2022-23 budget by \$1,465,700 to program \$1,095,700 of Round #2 Project Homekey Award and \$370,000 of Measure O funding for pre-development and capital cost of George's Hideaway. (4/5th Vote Required)

(4/5th Vote Required)

Executive Summary:

Pursuant to a Board item approved on October 26, 2021, Sonoma County Community Development Commission (CDC) staff submitted a joint application with West County Community Services (West County) and County of Sonoma (County) as co-applicants to the California State Department of Housing and Community Development (HCD) for \$6,300,784 in grant funds from Project Homekey (Homekey) to acquire, develop, and operate a 21-unit project at George's Hideaway in Guerneville, California (Property). West

County was authorized as the co-applicant for the HCD grant and as the service provider for the Property. The Property will provide permanent supportive housing to formerly homeless and chronically homeless individuals. CDC staff expected to learn whether the application was successful in February 2022.

In March 2022, HCD informed CDC staff that the Homekey Program was oversubscribed, and George's Hideaway was not approved in the initial screening of applications. The CDC had entered into a Purchase and Sale Agreement with the seller of the Property with a 60-day due diligence period that was set to expire in early April 2022. Rather than lose the right to purchase the property, on April 5, 2022, the Board authorized the use of \$270,000 from the County's Homeless Assistance and Prevention (HHAP-2) funds and \$715,000 from Reinvestment and Revitalization funds for the purchase of George's Hideaway property for \$849,000, plus other closing costs, for a total acquisition cost of \$985,000.

In June 2022, CDC staff were notified by HCD that some projects, including George's Hideaway, that had originally been unsuccessful in receiving a grant funding award, were being considered for a supplemental round of funding. On July 28, 2022, HCD sent a Letter of Award to the CDC for \$6,300,784 in Homekey funding for the acquisition, renovation/conversion, and operation of George's Hideaway for permanent supportive housing.

The CDC issued a Request for Qualifications (RFQ) and Proposals for the rehabilitation, construction, long-term management and/or ownership of three Homekey sites currently owned by the CDC. The CDC received only one response to the RFQ - a joint proposal from Burbank Housing Development Corporation (Burbank Housing) and West County for both George's Hideaway and Elderberry Commons, two of the three CDC-owned Homekey projects. This report requests authority for the CDC to enter into a Professional Services Agreement (PSA) with Burbank Housing to assist the CDC in permitting, design, and entitlements of the George's Hideaway project and to enter into an Exclusive Negotiation Agreement with West County, which will own and operate the property once complete. Elderberry Commons will come before the Board at a later date for approval of an agreement for the rehabilitation, construction, long-term management, and/or ownership.

Discussion:

In September 2021, 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 was 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.

As noted above, the CDC submitted a joint application with West County to HCD on December 17, 2021, for \$6,300,784 for George's Hideaway. In early March 2022, the County and the CDC received notification from HCD that the geographic set-aside of Homekey-2 funds for the Bay Area (nearly \$200,000,000) was oversubscribed and that the application for George's Hideaway was not successful.

At the Board meeting on April 5, 2022, staff and the Board discussed whether to purchase the Property with non-Homekey funds, given that the seller had concerns about the long lead time in securing a Homekey-2 award. The Board authorized a total expenditure of \$985,000 that included the purchase price of \$849,000, as

well as various studies (appraisal, Phase 1 environmental, and more). Funding sources consisted of \$270,000 from the County's Homeless Housing, Assistance and Prevention (HHAP-2) funds and \$715,000 from Reinvestment and Revitalization funds that were set aside by the Board of Supervisors for creation of a homeless shelter or housing in the lower Russian River area. On April 6, 2022, the CDC purchased the property from the seller for a purchase price of \$849,000.

The CDC was notified on July 28, 2022, that George's Hideaway was successful in receiving an award of \$6,300,784. A Standard Agreement between CDC, West County, and HCD was executed and governs the disbursement of the funding for conversion of the Property to a 21-unit Permanent Supportive Housing (Attachment 2). Per the Project Homekey -2 Notice of Funding Availability (NOFA), eligible applicants are required to demonstrate that they will contribute matching funds that can be used for capital expenditures, including acquisition and operating expenses. The funds used to acquire the Property serve as a portion of that local match and help satisfy the match requirement.

The CDC issued a Request for Qualifications (RFQ) and Proposals for the rehabilitation, construction, long-term management and/or ownership of three Homekey sites currently owned by the CDC. Due to the complexity of the renovation and to manage the development of the properties efficiently, the RFQ was issued to identify qualified organizations or contractors. A copy of the RFQ is included as Attachment 3 with this Board item. The CDC only received one response to the RFQ from Burbank Housing in collaboration with West County. Burbank Housing proposed to provide fee development and construction oversight services, as well as oversee the due diligence, entitlement, permitting, and design processes. Ownership of the Property would be transferred to West County at the completion of the site development and renovation process.

The potential scope of development for George's Hideaway includes the following components:

- Conduct extensive site improvements including utility connections, site paving, grading, foundations, and landscaping.
- Remodel the existing lodge into 6 permanent supportive housing units with ground floor office and service space.
- Install up to 16 modular homes on the site to create 15 permanent supportive housing units and 1 resident manager's unit.

The CDC owns two other Homekey properties (Elderberry Commons and Mickey Zane Place). The Executive Director of the CDC is authorized and directed by Resolution to enter into, execute, and deliver the Homekey Standard Agreements for those properties with HCD any and all other documents required or deemed necessary or appropriate to secure the Homekey funds from HCD and to participate in the Homekey Program, and all amendments thereto (collectively, the "Homekey Documents").

This item seeks similar authorization with regards to the George's Hideaway project. Authorizing the CDC Executive Director, Interim Executive Director, or designee, to execute all Homekey documents for the George's Hideaway project, including the Standard Agreement and take any other actions necessary to effectuate the terms and conditions of the Standard Agreement on behalf of the County for participation in the Homekey Program, will allow the CDC to efficiently manage the George's Hideaway project consistent with the other CDC-owned Homekey projects.

Professional Services Agreement

To achieve the redevelopment of the property in accordance with the Standard Agreement, CDC staff

recommends entering into a PSA with Burbank Housing (Attachment 5). The PSA will allow Burbank Housing to enter into contracts with the required disciplines necessary to successfully secure project entitlements, regulatory approvals, and building permits for the project including architectural, engineering, utility planning, civil engineering, and others. The proposed budget for the agreement is \$1,265,700 and \$200,000 in CDC staffing costs to be funded by a combination of Homekey funds and other local fund sources. This does not include hard costs for construction and renovation. Staff will come back to the Board for approval to enter into a construction agreement with Burbank Housing at a later date once pre-development is complete and all construction costs are determined.

Financial Summary

A detailed breakdown of the budget for the PSA is presented below.

George's Hideaway	
Funding Source	Total
Measure O funds	\$ 370,000
Project Homekey Capital	\$ 1,095,700
TOTAL FUND SOURCES	\$ 1,465,700
Purpose	Amount
Architecture and Design	\$ 202,500
Engineering	\$ 138,750
Consultants	\$ 72,500
Modular Home Design	\$ 100,000
Legal	\$ 75,000
Permits	\$ 314,200
Project Management	\$ 120,000
Other Costs (annexation and misc. fees)	\$ 242,750
PSA Total	\$ 1,265,700
CDC Staff Costs	\$ 200,000
Total	\$ 1,465,700

Exclusive Right to Negotiate Agreement

The CDC seeks to negotiate a Property Transfer Agreement for the Property. The CDC has no long-term interest in owning the Property. West County will be the service provider, and the Property Transfer Agreement would govern the transfer of the property to West County once the renovation and development are completed. In order to negotiate the Property Transfer Agreement, the CDC needs authority to enter into an Exclusive Right to Negotiate Agreement (ERNA) with West County that will have an initial term of 180 days during which the specific terms of the Property Transfer Agreement would be negotiated. Extensions would be available at the Executive Director's discretion if additional time is necessary to complete the negotiations of the transaction documents. CDC staff would return to the Board for approval of the Property Transfer Agreement with West County once it is finalized.

Operations

George's Hideaway has been awarded 21 Project-Based Vouchers (PBVs) from the Sonoma County Housing Authority that will contribute to the ongoing financial assistance to the operation of the project for the next 20 years and a renewal contract for 20 additional years. The vouchers have an annual value of \$268,884 and a total value of \$5,377,680 for the first 20 years. Additionally, the CDC and West County were successful in securing operating subsidy funding from Homekey in the amount of \$1,091,200 as part of the overall \$6,300,784 Homekey award.

CEQA: The actions requested to be taken by the Board are exempt from the California Environmental Quality Act (CEQA) because the proposed actions involve only feasibility and planning studies, to allow the Board to properly analyze potential future actions regarding the Property, and do not bind the Board to any future approval or action. See 14 C.C.R. 15262.

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: Project Homekey-1

October 26, 2021: Project Homekey-2

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

April 5, 2022: Approval to Purchase George's Hideaway

FISCAL SUMMARY

Expenditures	FY 22-23 Adopted	FY 23-24 Projected	FY 24-25 Projected
Budgeted Expenses			
Additional Appropriation Requested	\$1,465,700		
Total Expenditures	\$1,465,700		
Funding Sources			
General Fund/WA GF			
State/Federal	\$1,095,700		
Fees/Other	\$370,000		
Use of Fund Balance			
Contingencies			
Total Sources	\$1,465,700		

Narrative Explanation of Fiscal Impacts:

Expenditure and Revenue appropriations are being requested for the FY 2022-23 Budget in the amount of \$1,465,700 for pre-development and capital costs of the Property. Funding is derived from \$1,095,700 of Round #2 Project Homekey Award and \$370,000 of Measure O funding.

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 - Award Letter
Attachment 2 - Standard Agreement
Attachment 3 - Developer RFQ for Project Homekey Sites
Attachment 4 - Conceptual Site Plan
Attachment 5 - Draft PSA and ERNA
Attachment 6 - Resolution
Attachment 7 - Project Homekey Budget Resolution

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

None