

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
January 29, 2019
10:45 a.m.

To: Board of Supervisors
Through: Navdeep S. Gill, County Executive
From: Office of the County Executive
Department of Health Services
Sacramento Housing and Redevelopment Agency
Subject: Authorization To Participate In The No Place Like Home
(NPLH) Program For The Sunrise Pointe And Capitol Park
Hotel Projects
Supervisory District(s): All

RECOMMENDED ACTION

Approve the following actions:

1. Adopt the attached Resolution for the Sunrise Pointe development:
 - a. Authorizing and directing the County to apply for and, if awarded, accept the competitive No Place Like Home (NPLH) Program funds;
 - b. Authorizing the Director of the Department of Health Services (DHS), or designee, to enter into, execute, and deliver any and all documents required by the NPLH Competitive Allocation funding award from the State of California, Department of Housing and Community Development (HCD); and
 - c. Performing all actions necessary to comply with the NPLH Guidelines, Program Documents, and any and all NPLH Program requirements.

2. Adopt the attached Resolution for the Capitol Park Hotel development:
 - a. Authorizing and directing the County to co-apply for and, if awarded, accept the competitive NPLH Program funds;
 - b. Authorizing the Director of DHS, or designee, to enter into, execute, and deliver any and all documents required by the NPLH Competitive Allocation funding award from HCD; and
 - c. Performing all actions necessary to comply with the NPLH Guidelines, Program Documents, and any and all NPLH Program requirements.

3. Adopt the attached Resolution for the Capitol Park Hotel development:

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- a. Authorizing and directing the County to co-apply for and, if awarded, accept the noncompetitive NPLH Program funds;
- b. Authorizing the Director of the DHS, or designee, to enter into, execute, and deliver any and all documents required by the NPLH Noncompetitive Allocation funding award from HCD; and
- c. Performing all actions necessary to comply with the NPLH Guidelines, Program Documents, and any and all NPLH Program requirements.

BACKGROUND

The State's No Place Like Home (NPLH) Program was enacted in 2016 through Assembly Bills 1618 and 1628 and subsequently approved by California voters on November 6, 2018, as Proposition 2. NPLH provides \$2 billion in bond funding statewide for the development of Permanent Supportive Housing (PSH) for people who are experiencing homelessness, chronic homelessness, or who are at risk of becoming chronically homeless, and who are living with a serious mental illness and are in need of mental health services. State bonds will be repaid through the diversion of Mental Health Services Act (MHSA) funding.

The State of California, Department of Housing and Community Development (HCD) is administering NPLH funding through two allocations: noncompetitive and competitive.

- Noncompetitive allocation: HCD issued the NPLH Notice of Funding Availability (NOFA) for approximately \$190 million in noncompetitive funding on August 15, 2018. Based on the most recent Point-in-Time (PIT) Count of 3,665 sheltered and unsheltered homeless persons on a single night, Sacramento County is eligible to receive \$5,087,737 in noncompetitive NPLH funding. Applications for specific developments solely utilizing noncompetitive funding are submitted separately and due no later than February 15, 2021.

On December 12, 2018, the Board approved the authorization of the application to HCD to reserve the noncompetitive allocation for Sacramento County, and the adoption of the Sacramento County Homeless Plan, as required by the NPLH program.

- Competitive allocation: Sacramento County is also eligible to apply for developments in the competitive funding category of Large Counties. HCD released the first competitive NOFA on October 15, 2018 for \$400 million. Eleven Large Counties will compete for \$93.5 million statewide. Development applications for the first funding round are due on January 30, 2019. The second round HCD NOFA is anticipated to be released in Fall 2019 for \$400 million.

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Counties are eligible NPLH applicants and may apply either as the owner/operator (Development Sponsor) or jointly with another entity as the Development Sponsor for developments located anywhere in Sacramento County, including in any of its cities. Sacramento County intends to co-apply with another entity as the Development Sponsor.

In all NPLH developments, the County will be responsible for the provision of mental health supportive services and for the coordination of other supportive services needed by NPLH tenants for a minimum of 20 years. The development sponsor is responsible for resident services provided to all tenants.

The County and Sacramento Housing and Redevelopment Agency (SHRA) worked collaboratively to utilize local resources to navigate the different components to constructing and operating the recommended NPLH developments. Expertise for this application's success and viability is dependent on this strong working relationship between County departments and SHRA staff who have together analyzed all parts of the NPLH requirements and areas of responsibility. We anticipate close work in the months ahead to refine and expedite these applications.

Local NPLH Selection Process

On August 21, 2018, the County Director of Homeless Initiatives provided the Board with an overview of the local selection process for both competitive and noncompetitive NPLH funding. The local selection process was developed in coordination with SHRA and reflects input from PSH developers and three County NPLH committees with representatives from Board Staff, County departments, Sacramento cities, and behavioral health consumers and stakeholders.

On August 31, 2018, Sacramento County and SHRA jointly released the local selection process, entitled "Request to Partner on No Place Like Home Developments" (RTP). Threshold and selection criteria contained in the RTP largely mirror HCD's selection criteria to ensure quality developments that are eligible, feasible and score competitively under HCD scoring criteria.

- All projects must serve the NPLH target population which includes people who are experiencing homelessness, chronically homelessness, or at risk of chronic homelessness, as defined by the State. Additionally, projects must use coordinated entry for NPLH tenants who are experiencing homelessness (and a comparable system for at risk households) and follow housing first practices that facilitate entry and support of higher barrier households. Additional threshold criteria include development team experience; site control and other site considerations; percentage of NPLH units to range from 30 percent to

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49 percent; integration of NPLH tenants within developments; and financial feasibility.

- Competitive scoring considers leverage of development funding, including contribution of local funds and noncompetitive NPLH funding; leverage of rental or operating subsidies; readiness to proceed; and extent of offsite and onsite resident and supportive services.

On October 1, 2018, four RTP applications with the proposed developments summarized in the table below were submitted.

Development Sponsors	Proposed Developments	NPLH Units	Total Units	Construction Type	Location
Jamboree ¹ & TLCS, Inc.	Sunrise Pointe	22	47	New	City of Citrus Heights
Mercy Housing California	Capitol Park Hotel	65	134	Rehabilitation	City of Sacramento
Mutual Housing California	Mutual Housing on the Boulevard	36	90	New	Unincorporated County of Sacramento
USA Properties & Jamboree	Railyards	74	150	New	City of Sacramento

Legend: ¹Jamboree: Jamboree Housing Corporation

Subsequently, applications submitted by Mutual Housing California (Mutual Housing on the Boulevard) and USA Properties partnered with Jamboree (Railyards) were withdrawn by the respective developers due to lack of project readiness. Both developers intend to apply to the County for NPLH funds in subsequent funding cycles. County and SHRA staff will continue to provide technical assistance to both of these development sponsors.

On November 30, 2018, the NPLH Program Selection Committee (comprised of the County Director of Homeless Initiatives, and representatives from Division of Behavioral Health Services, SHRA Development Finance, and Sacramento Steps Forward) evaluated the two remaining development applications and are recommending each development to co-apply with Sacramento County for the NPLH funding application to HCD as described below.

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County and SHRA Development Finance staff reviewed the NPLH applications for compliance with NPLH Program threshold and eligibility criteria and to address other issues relevant to co-application, including:

- Target population and conformance with housing first practices;
- Financial feasibility, including adequate operating budgets and reserves, and overall conformance with underwriting policies;
- Scope of work, including any environmental issues and compliance with construction standards;
- Property management and resident services plan (County behavioral health is preparing supportive services plans for each recommended development); and
- Other elements such as relocation plan, security plans and market studies.

County and SHRA staff also evaluated the allocation of noncompetitive and competitive NPLH funding for each of the recommended developments based primarily on ensuring feasibility and on increasing leverage scoring. This report recommends funding levels and actions, required for these two projects to apply with the County as co-applicants and participate in the NPLH program.

This first local NPLH application process has been challenging because of the extremely tight State timeframes for State application submittal and the release of the State application materials and scoring sheet after the local application submittal deadline. County and SHRA staff have worked with the development sponsors to make adjustments to the local applications to maximize competitiveness for State NPLH funding consistent with State requirements. These adjustments are reflected in the development recommendations below. The following conditions to the County commitment for NPLH competitive co-applications and noncompetitive funding are recommended for each development:

- The County commitment will be in effect for 18 months from Board approval. In the event that the first round State application is unsuccessful, the County may co-apply in future State funding rounds within this timeframe. As necessary, staff will return to the Board for authorizing resolutions to apply.
- Any funding gap (either known or because of future cost increases) within the development must be filled by non-behavioral health funding evidenced with firm funding commitments by January 29, 2019. It is noted that for each of the recommended developments, NPLH units comprise 48 to 49 percent of the total units and recommended NPLH funding covers the associated gap for these units. Any additional behavioral health funding would increase this percentage of units within

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the development for the target population and compromise both State and local goals of community integration. This funding condition helps to ensure that community integration principles for persons living with serious mental illness in the community are met.

The recommended actions are consistent with SHRA's previously approved Multifamily Lending and Mortgage Revenue Bond Policies (Policies).

Sunrise Pointe Development

The attached resolution authorizes a co-application to HCD for Sunrise Pointe Development for \$3,019,967 in NPLH competitive funding for 22 NPLH units in the 47-unit new construction project.

Description of Proposed Development: Sunrise Pointe is proposed to be located at 7424 Sunrise Boulevard in the City of Citrus Heights. The site is currently vacant surrounded by residential and commercial offices. This development will be new construction of 47 apartments consisting of one-, two- and three- bedroom units. There are 46 PSH units, plus one exempt management unit. All 46 units will be awarded Project Based Vouchers for households experiencing homelessness and, of these, 22 will be NPLH-designated units. Of the NPLH units, 40 percent will be allocated to the category of chronically homeless, and 30 percent each to categories of homeless and at risk of chronic homelessness. The Citrus Heights City Council met on January 10, 2019, to grant final entitlement approvals. Amenities include on-site management staff, community room, meeting areas for individual and group settings, courtyard with a lounge area, BBQ and picnic area, children's playground, half basketball court, dog park and parking. A vicinity map and artist rendering are included as Attachments 1 and 2.

Development Sponsor: The partnership of Jamboree Housing Corporation and TLCS, Inc. (TLCS) is the development sponsor. Jamboree is an affordable housing developer with 28 years of experience in residential development, including 91 developments consisting of more than 8,200 homes and an asset portfolio of \$1.1 billion across California. TLCS is a private, non-profit, psychosocial rehabilitation agency with 37 years of experience. TLCS provides PSH, interim housing and a variety of mental health services. In addition, TLCS owns or operates five special needs residential facilities in the County of Sacramento.

Resident Services: TLCS will dedicate 1.5 full-time equivalent (FTE) resident services coordinators to provide resident services to all residents. TLCS will provide onsite coordination with NPLH case management services and provide a minimum of 15 hours per week of on-site resident services to all residents. Resident services programs will include, but are not limited to, an on-site

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service coordinator, after-school programs, adult education, skill building classes and health and wellness services and programs.

County NPLH Supportive Services: The County of Sacramento will be responsible for the provision of mental health supportive services and the coordination of other supportive services needed by the 22 NPLH residents at Sunrise Pointe for a minimum of 20 years, as required by the State NPLH program. As noted above, the development sponsor is responsible for resident services to be provided to all development residents.

Tenants will be referred through coordinated entry administered by Sacramento Steps Forward for all units reserved for persons experiencing homelessness (including non-NPLH units). Tenants will be referred through the Division of Behavioral Health Services for all NPLH units reserved for persons who are at risk of chronic homelessness.

Property Management Agent: Sunrise Pointe will be managed by the John Stewart Company (JSCo). Currently, JSCo manages more than 620 properties consisting of approximately 47,000 residential units, including approximately 39,000 affordable units and 945 PSH units.

Project Financing: Sunrise Pointe will be financed using a combination of nine percent Low Income Housing Tax Credits (LIHTC), conventional loan, SHRA loan consisting of \$1,300,000 in County HOME Investment Partnerships Program (HOME) funds (local commitment), NPLH competitive funding and a deferred developer fee. Funding sources and uses are provided in the Project Summary as Attachment 3. A separate staff report for SHRA's conditional funding commitment of the \$1,300,000 loan in County HOME funding is being presented separately for Board approval.

Affordability Restrictions: As a condition of receiving tax credits, federal law requires that developments set aside units for targeted income groups. Income restrictions from Low Income Housing Tax Credit (LIHTC) financing require that households have average income at or below 59 percent of the Area Median Income (AMI) and no households exceed 80 percent of the AMI.

SHRA further requires that at least 20 percent of the units be restricted to households with income at or below 50 percent AMI. The affordability restrictions will be specified in regulatory agreements between Jamboree and TLCS, and the respective monitoring agencies, (HCD, California Tax Credit Allocation Committee and SHRA). Proposed funding sources and their affordability requirements are summarized in the following table:

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Sunrise Pointe

Funding Program¹	Affordability Level and AMI Regulated for 55 years²	Proposed No. of Units	Percentage of Units
NPLH ² LIHTC	Extremely Low Income 25% AMI	14	30%
NPLH ² LIHTC	Extremely Low Income 30% AMI	8	17%
LIHTC	Very Low Income 35% AMI	8	17%
LIHTC	Very Low Income 40% AMI	8	17%
LIHTC	Very Low Income 45% AMI	1	4%
HOME ³ LIHTC	Very Low Income 45% AMI	7	13%
Manager's unit	Unrestricted	1	2%
	Total	47	100%

Legend:

¹The most restrictive income and rent limits will prevail when Project has layered funding programs.

² The LIHTC and HCD NPLH Regulatory Agreement will be enforced for 55 years.

³SHRA Regulatory Agreement for the HOME assisted units will be enforced for 20 years.

Capitol Park Hotel Development

The attached resolution authorizes a co-application to HCD for Capitol Park Hotel for \$6,890,825 in NPLH competitive funding and \$2,800,000 in NPLH noncompetitive funding for 65 units in the 134 unit rehabilitation project.

Description of Proposed Development: Capitol Park Hotel is located at 1125 9th Street in downtown Sacramento. This development will be an acquisition and rehabilitation of a historic 180-unit single room occupancy building into 134 studio units with kitchenettes and full bathrooms. All 134 PSH units will be awarded Project Based Vouchers to households experiencing homelessness and, of these, 65 will be NPLH designated units. Of the 65 NPLH units, 40 percent will be allocated to the category of chronically homeless, and 30 percent each to categories of homeless and at risk of chronic homelessness. Amenities will include a 24/7 desk clerk, community room, and meeting areas for individual and group settings. Bicycle parking will be available onsite. A vicinity map and project picture are included as Attachments 4 and 5.

Development Sponsor: Mercy Housing California (MHC) will serve as the development sponsor. MHC is a nonprofit public benefit corporation dedicated to providing quality affordable housing with supportive programs to low-

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income individuals in California. MHC has developed more than 10,900 affordable homes, including over 7,900 rental units. MHC's portfolio includes 20 properties with over 1,300 units in Sacramento County. MHC is qualified to redevelop the Capitol Park Hotel given its experience in the rehabilitation and conversion of the Budget Inn on Stockton Blvd to the 74-unit PSH Boulevard Court Apartments and the upcoming development project comprised of 92 PSH units at Courtyard Inn Transit-Oriented Development.

Resident Services: Mercy Housing Resident Services, an affiliate of MHC, will dedicate two FTE for resident services for all residents, providing a minimum of 20 hours per week of on-site resident services to all residents. Resident services programs will include, but are not limited to, an on-site service coordinator, education and enrichment programs. Additionally, a case management team of 2.8 FTE will provide supportive services for non-NPLH residents. There will be 24/7 services availability.

County NPLH Supportive Services: The County of Sacramento will be responsible for the provision of mental health supportive services and the coordination of other supportive services needed by the 65 NPLH residents at Capitol Park Hotel for a minimum of 20 years, as required by the State NPLH program. As noted above, the development sponsor is responsible for resident services to be provided to all development residents.

Tenants will be referred through coordinated entry administered by Sacramento Steps Forward for all units reserved for persons experiencing homelessness (including non-NPLH units). Tenants will be referred through the Division of Behavioral Health Services for all units reserved for persons who are at risk of chronic homelessness.

Property Management Agent: The Project will be managed by Mercy Housing Management Group, an affiliate of the Developer. The Property Management Agent manages more than 220 properties nationally (more than 11,000 affordable housing units), including over 100 properties in California.

Relocation Plan Consultant: Laurin and Associates will provide relocation consultation services to MHC and the residents of Capitol Park Hotel. All costs related to relocation expenses are the sole responsibility of the developer. Relocation costs are anticipated to include permanent and temporary relocation. The final relocation plan will be approved by SHRA prior to the submission of the NPLH application.

Project Financing: Capitol Park Hotel will be financed using a combination of nine percent Low Income Housing Tax Credits (LIHTC), competitive and noncompetitive NPLH funding, an Affordable Housing Program loan from the Federal Home Loan Bank, and general partnership equity. There is no local

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funding commitment for Capitol Park Hotel at this time. The NPLH Program Selection Committee recommended the use of competitive and noncompetitive NPLH funds to maximize the leverage scoring in the NPLH funding application. Since the committee recommendation, project costs have been revised and there is an approximately \$8 million funding gap with funding sources still to be identified. Funding sources and uses are provided in the Project Summary as Attachment 6.

Affordability Restrictions: As a condition of receiving tax credits, federal law requires that developments be set-aside for targeted income groups. Income restrictions from Low Income Housing Tax Credit (LIHTC) financing require that households have average income at or below 59 percent of the Area Median Income (AMI) and no households exceed 80 percent of the AMI.

The affordability restrictions will be specified in the regulatory agreements between HCD and the Mercy Housing California, as well as CTCAC and Mercy Housing California. Anticipated funding sources and their affordability requirements are summarized in the following table:

Capitol Park Hotel

Funding Program¹	Affordability Level and AMI Regulated for 55 years²	Proposed No. of Units	Percentage of Units
NPLH LIHTC	Extremely Low Income 20% AMI	65	49%
LIHTC	Very Low Income 40% AMI	69	51%
	Total	134	100%

Legend:

¹The most restrictive income and rent limits will prevail when Project has layered funding programs.

² The LIHTC and HCD NPLH Regulatory Agreement will be enforced for 55 years.

Local NPLH Steering Committee and SHRA Commission

At its meeting on January 8, 2019, the local NPLH Steering Committee was presented the recommended developments for information and feedback. The developments were also presented at the Mental Health Board on January 10, 2019. At its meeting on January 16, 2019, the Sacramento Housing and Redevelopment Commission was presented with an overview of the recommended developments for their information. SHRA is taking separate action through the SHRA Commission to recommend HOME financing for Sunrise Pointe.

It is also noted that the County intends to form a Consumer Advisory Group whom development sponsors will be expected to consult with throughout the development process and operationalization of NPLH developments.

Environmental Review

California Environmental Quality Act (CEQA): Applying for and accepting the NPLH Program funds are considered administrative and fiscal activities and are therefore not considered a project pursuant to CEQA Guidelines Section 15378. Entering into the Standard Agreement, and other related agreements, will not commit to any definite course of action or limit the choice of alternatives regarding the project and is therefore an administrative activity and not considered a project pursuant to CEQA Guidelines Section 15378. Providing mental health services is exempt under CEQA pursuant to CEQA Guidelines Section 15061(b)(3).

FINANCIAL ANALYSIS

The recommended actions authorize NPLH competitive applications for \$3,019,967 for Sunrise Pointe and \$6,890,825 million for Capitol Park Hotel. The recommended actions also award \$2,800,000 of the total \$5,087,737 from the State NPLH noncompetitive funding allocated to Sacramento County to the Capitol Park Hotel project. The NPLH program requires a twenty-year commitment from the County for mental health services and a commitment to coordinate other supportive services for NPLH residents. If these projects are successful in receiving competitive NPLH funding, the Division of Behavioral Health Services will make the required mental health treatment services and supports available through designated Outpatient and Full Service Partnership contracted providers. These services will be available to NPLH tenants once construction/rehabilitation of the projects is complete and tenant occupancy occurs. These supportive services are anticipated to be made available largely through attrition of existing clients in existing service contracts not associated with built housing units. The mental health treatment supportive services are valued at a range of approximately \$10,000 to \$23,800 net county cost per client per fiscal year. Based on projections that seventy percent (70%) of the 87 NPLH clients will have a higher acuity service need, the estimated cost for mental health treatment services would be approximately \$1.7 million per fiscal year. These services will be funded by MHSA when possible. Some services are not MHSA reimbursable and will require other local funds such as Realignment or County General Fund. Funding for services will be included in the Department's future fiscal year Requested Budgets.

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Attachments:

- RES – Sunrise Pointe - Competitive NPLH Funds
- RES – Capitol Park Hotel - Competitive NPLH Funds
- RES – Capitol Park Hotel - Noncompetitive NPLH Funds
- ATT 1 – Sunrise Pointe - Vicinity Map
- ATT 2 – Sunrise Pointe - Artist Rendering
- ATT 3 – Sunrise Pointe - Project Summary
- ATT 4 – Capitol Park Hotel - Vicinity Map
- ATT 5 – Capitol Park Hotel - Picture
- ATT 6 – Capitol Park Hotel - Project Summary