

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Social Services	(2) MEETING DATE 5/5/2015	(3) CONTACT/PHONE Lee Collins, 781-1834 Tracy Schiro, 781-1840 Debbie Aiello, 781-1836	
(4) SUBJECT Request to approve an Acquisition Agreement for the acquisition and renovation of two apartment complexes for homeless families participating in the CalWORKs Housing Support Program or in Child Welfare Services, and, if approved, authorize a corresponding budget adjustment in the amount of \$1,250,000 from the Social Services Realignment Trust to FC 180- Social Services Administration. District 5.			
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> 1. Approve and authorize the Chairperson to sign an Acquisition Agreement for: a) up to \$1,300,000 for a property acquisition of two apartment complexes with a total of nine units to be utilized by homeless families participating in the CalWORKs Housing Supports Program or in Child Welfare Services, and b) additional closing costs, improvements, and relocation costs in the amount of approximately \$350,000 as identified in the acquisition agreement and detailed in the associated Operating Program Agreement. 2. Direct the Clerk of the Board to return the Acquisition Agreement to the Real Property Manager for recordation through escrow. 3. Authorize a corresponding budget adjustment in the amount of \$1,250,000 from the Social Services Realignment Trust funds to FC 180- Social Services Administration for the acquisition and renovation of two apartment complexes and for relocation costs associated with the acquisition. 			
(6) FUNDING SOURCE(S) Federal and State Realignment Trust and CalWORKs Housing Supports Program	(7) CURRENT YEAR FINANCIAL IMPACT \$1,250,000 Realignment funds \$400,000 Housing Supports Program funds	(8) ANNUAL FINANCIAL IMPACT \$130,000	(9) BUDGETED? No
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ___) <input checked="" type="checkbox"/> Board Business (Time Est. <u>15</u>)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input checked="" type="checkbox"/> 4/5 Vote Required <input type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? N/A	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW Morgan Torell			
(18) SUPERVISOR DISTRICT(S) District 5			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Lee Collins, 781-1834
Tracy Schiro, 781-1840
Debbie Aiello, 781-1836

DATE: 5/5/2015

SUBJECT: Request to approve an Acquisition Agreement for the acquisition and renovation of two apartment complexes for homeless families participating in the CalWORKs Housing Support Program or in Child Welfare Services, and, if approved, authorize a corresponding budget adjustment in the amount of \$1,250,000 from the Social Services Realignment Trust to FC 180- Social Services Administration. District 5.

RECOMMENDATION

It is recommended that the Board:

1. Approve and authorize the Chairperson to sign an Acquisition Agreement for: a) up to \$1,300,000 for a property acquisition of two apartment complexes with a total of nine units to be utilized by homeless families participating in the CalWORKs Housing Supports Program or in Child Welfare Services, and b) additional closing costs, improvements, and relocation costs in the amount of approximately \$350,000 as identified in the acquisition agreement and detailed in the associated Operating Program Agreement.
2. Direct the Clerk of the Board to return the Acquisition Agreement to the Real Property Manager for recordation through escrow.
3. Authorize a corresponding budget adjustment in the amount of \$1,250,000 from the Social Services Realignment Trust funds to FC 180- Social Services Administration for the acquisition and renovation of two apartment complexes and for relocation costs associated with the acquisition.

DISCUSSION

Background

In September 2014 the County was notified that it had submitted a successful application for funding under the State's new CalWORKs Housing Support Program (HSP). The Department of Social Services (DSS) is one of twenty counties that received an award from a total State appropriation of \$20 million and, in fact, one of the very few applicants that received the full amount requested at approximately \$1.1 million. In October, the Board approved the receipt of those funds and implementation of the program began. To date, 40 families have been housed from the HSP grant. During the few days of particularly cold weather in the winter,

additional families were housed temporarily in motel rooms. Families housed with the HSP grant also receive supportive services. DSS will be letting an RFP in the next couple of weeks for the services component in the FY 15/16 cycle, contingent on continued HSP funding from the State. DSS is confident that it will receive funding again in FY 15/16.

One of the issues DSS has faced in implementing the HSP grant in the current year is the well-known shortage of rental property. The HSP program is one of several housing programs competing for affordable housing rentals. Family Care Network, Inc. (FCNI), a local non-profit agency that provides a variety of services such as therapeutic foster care, family support services, and transitional housing, approached DSS with a proposal that is modeled upon similar work they do for foster youth. FCNI proposed to purchase a property, rehabilitate it and make it available to the County for its sole use for 20 years. At the time that the Department was initially approached, FCNI believed that there was a grant that could help to fund the acquisition and rehabilitation costs, but that opportunity turned out to not to be targeted for this type of project. The Department agreed that this was still worth pursuing using other resources.

Property Acquisition

DSS proposes to use HSP funds in the amount of \$400,000 and Social Services Realignment funds for the remaining costs (approximately \$1,250,000) for the acquisition of two apartment buildings in Atascadero, and for closing costs, renovation, and relocation costs for existing tenants. The first building is a 5-unit structure that includes four 2-bedroom apartments and one 1-bedroom unit; the second building includes four 2-bedroom apartments with the possibility of expansion to a fifth apartment. These two structures can be purchased for a combined total of approximately \$1.3 million, not including closing costs, rehabilitation, and relocation costs.

FCNI proposes to purchase the property with funds from the HSP grant and Realignment funds in exchange for a 20-year exclusive use restriction on the deed so that DSS can house homeless families. In other words, DSS will provide funds for FCNI to purchase and own the apartments, and FCNI will make the property available for exclusive use by the Department. At the end of 20 years, the deed restriction expires. If FCNI were to sell the property prior to the expiration of that deed restriction, any new owner would remain bound by the agreement. DSS will have a separate operating agreement with FCNI that outlines responsibilities (see Attachment 1). For example, FCNI agrees to maintain the property and pay the common costs, while the County agrees to pay for the net annual costs of maintenance that exceed the income received by the program participants. Estimates indicate that this operating agreement will result in additional annual costs of approximately \$60,480, increasing by an average of 2% per annum. In addition, the Operating Program Agreement outlines that FCNI will provide case management services in the amount of \$66,000 for the families living in the housing units, to be paid by HSP funds.

While this is a new approach for DSS, it is not new to FCNI. FCNI owns and manages several properties that the Department places transitional age foster youth in while FCNI provides case management and other supportive services to these youth. These other properties were purchased through grant funds (and the General Services Department has relied on some of those grant documents as a template for the proposed agreement), while this proposal is funded by the County.

The Department compared the proposed purchase to leasing a property for 20 years. In both scenarios, at the end of 20 years the property reverts to the owner. The difference for the County under this scenario is that the Department will be paying significantly less than market rental rates for these 2-bedroom apartments, and the families will be wrapped with the full array of supportive services, as needed, that could include mental health

services, that help participating families become stable and transition to independent housing options.

The General Services Department ("GSD") has assisted DSS in securing the public's interest in the grant funding to be loaned to FCNI for the acquisition of the properties. The sales price of the property will be the lower of \$750,000 for the 5-plex and \$550,000 for the 4-plex or the appraised value of each property, and GSD will review the appraisal and preliminary title report for the properties to assure that the County's investment in the property is protected. GSD has prepared the Acquisition Agreement (see Attachment 5), which will be recorded and requires the properties be used to house homeless recipient families of the County's CalWORKs or Child Welfare Services program that are referred to FCNI by the County. GSD also prepared first deeds of trust and promissory notes in the amount of \$200,000 each for the two properties in order to secure the HSP funds as well as second deeds of trust and promissory notes to secure the 1991 Realignment Funds, and GSD will work with escrow to have the deeds of trust recorded. The amount of the second deeds of trust will be determined in escrow based on the ultimate sales price and closing costs and will be sufficient to fund FCNI's full cost to close escrow on both properties.

The repayment terms of both the first and second promissory notes require no monthly payments from FCNI provided that the property is operated in accordance with the Acquisition Agreement and Operational Agreement for 20 years, after which time the loans are forgiven and the deeds will be reconveyed. The Acquisition Agreement and Deeds of Trust will be recorded by the title company. In the event that the properties are operated in a manner inconsistent with these agreements, the full amount of the loans shall be repaid immediately upon demand from the County, including interest at three percent per year.

OTHER AGENCY INVOLVEMENT/IMPACT

The Agreement to Fund Acquisition of Real Properties and the Operating Program Agreement between San Luis Obispo County Department of Social Services and Family Care Network, Inc. were developed in partnership and reviewed as to legal form and effect by County Counsel and the General Services Department.

FINANCIAL CONSIDERATIONS

On October 7, 2014, Item No. 34, your Board approved the acceptance of the CalWORKs Housing Support Program grant in the amount of approximately \$1 million. However, there will be unanticipated savings of this grant, primarily due to the shortage of rental properties available.

The purchase price of the two apartment buildings is approximately \$1,300,000 with an additional \$350,000 for closing costs, rehabilitation costs and current tenant relocation costs for a total of \$1,650,000. To provide the funding for FCNI to purchase and renovate the two apartment complexes, a combination of CalWORKs HSP funds and Social Services Realignment funds shall be utilized. A total of \$400,000 will be funded with HSP grant funds, which is currently included in DSS FY14/15 budget appropriation for Fund Center 180- Social Services Administration. The remaining \$1,250,000 will be funded with the Social Services Realignment funds. The Social Services Realignment funds will need to be added to the DSS budget at this time, therefore a budget adjustment is requested with this item.

The annual maintenance costs of approximately \$60,480 will begin in FY15/16, increasing by an average of 2% per annum. The annual HSP Case Management costs of approximately \$66,000 will start in FY15/16. These annual costs will both be funded with HSP funding.

This item will be fully funded with CalWORKs HSP and DSS Realignment Trust funds and will require no additional General Fund Support.

RESULTS

FCNI will acquire and renovate nine apartments that will provide well-being and stability for homeless families in the Housing Support Program and/or participating in Child Welfare Services referred for housing by DSS for 20 years.

FCNI will provide case management services for nine families to enable them to stabilize and acquire skills for successful transition to other permanent housing options.

ATTACHMENTS

1. Operating Program Agreement (OPA)
2. Attachment I to the OPA – Property Income & Expense Projections
3. Attachment II to the OPA – Purchase and Rehabilitation Estimate
4. Attachment III to the OPA – Housing Support Program Case Management Budget
5. Acquisition Agreement