

Lompoc City Council Agenda Item



City Council Meeting Date: February 6, 2007

TO: Gary P. Keefe, City Administrator

FROM: Dinah Perez Lockhart, Community Development Program Manager
e-mail: d_lockhart@ci.lompoc.ca.us

Subject: Request by Good Samaritan Services for \$250,000 in Community Development Block Grant (CDBG) Program funds to assist in the acquisition of 608 West Ocean Avenue for use as a transitional shelter for drug and alcohol recovery with onsite treatment housing, a thrift store, and day care.

RECOMMENDATION:

That City Council:

- 1) Provide direction as to whether staff should accept and process an application from Good Samaritan Services, Inc. (GSSI) for \$250,000 in Community Development Block Grant (CDBG) Program funds to assist in the acquisition of 608 West Ocean Avenue for use as a transitional shelter for drug and alcohol recovery with onsite treatment housing, a thrift store, and day care; and
- 2) If Council directs staff to accept and process the application from GSSI, authorize the City Administrator to sign a letter by February 7, 2007 to the State of California Emergency Housing Assistance Program (EHAP) stating that the Council has accepted GSSI's application for \$250,000 in CDBG funds and will proceed with processing their loan application, for inclusion in GSSI's application for EHAP funding.

BACKGROUND:

In November 2006, staff received a request from the executive director of the Good Samaritan Services, Inc. (GSSI) Program for \$250,000 in Community Development Block Grant (CDBG) Program funds to assist in the acquisition of 608 West Ocean Avenue. During this time GSSI also submitted a request to the City for a Conditional Use Permit (CUP) to operate a transitional shelter for drug and alcohol recovery with onsite treatment housing, a thrift store, and day care. Staff indicated to GSSI that the submission of a funding request to City Council for consideration of City CDBG

assistance for this project would be conditioned upon the project first receiving the appropriate City zoning approvals. On January 2, 2007, Council upheld the Planning Commission decision of November 13, 2006 to approve CUP 06-09.

GSSI has requested that their application for CDBG funds be reviewed by the City Council to determine if the Council wishes to accept the application for processing. In the event that the Council decides to accept GSSI's application, Good Samaritan requests that a letter stating the Council has accepted their application for processing be provided to them, for inclusion in their application to the State of California for State Emergency Housing Assistance Program – Capital Development (EHAP-CD) funds. This application to the State is due by February 8, 2007.

According to the State's EHAP web site, eligible activities under this funding include "acquiring, constructing, converting, expanding and/or rehabilitating emergency shelter, transitional housing, and/or safe haven housing and administration of the award". According to GSSI's CDBG application, participants may stay anywhere from 21 days to twelve months.

DISCUSSION:

According to GSSI executive director Sylvia Bernard, GSSI will immediately enter into a 'lease-hold' arrangement with Trinity Ventures Group, LLC, which will purchase the commercial structure and complete all rehabilitation and property improvements. Trinity Ventures is a three-person investment group, composed of principals from J & P Construction, based in Santa Maria. By Trinity Ventures purchasing the property, GSSI can demonstrate to the State that they have site control through Trinity, which strengthens GSSI's application for State funding. According to Ms. Bernard, Trinity Ventures (J & P Construction) will also make all improvements, with the assistance of subcontractors.

GSSI will master-lease the improved facility from Trinity Ventures, and run the detoxification, perinatal service, and other GSSI programs. During the same time, GSSI will be applying to a variety of funding sources to assemble the acquisition financing necessary to complete the purchase from Trinity, and transfer ownership from Trinity to GSSI. Trinity Ventures has opened escrow on 608 W. Ocean Avenue and is scheduled to close escrow by the end of January 2007. The property sales contract shows a sales price of \$1,050,000. Trinity Ventures has sufficient financing to complete the acquisition on its own, with a \$300,000 deposit, and has already obtained financing for the \$750,000 trust deed balance. If and when GSSI obtains all the proposed grant funding they have identified, and after all improvements are made, GSSI will be providing Trinity with approximately \$2.1 million in grant funding (including the \$250,000 requested from the City) to effect the property transfer from Trinity to GSSI. Ms. Bernard has provided staff with a detailed breakout of the cost of the improvements.

GSSI's application to the City for CDBG funds for the acquisition of a 'public facility' (as defined by CDBG regulations) is an eligible activity. CDBG regulations (Code of Federal Regulations (CFR) 570.201(c)) permit the use of CDBG funds for the acquisition of a facility to be used as a shelter for the homeless, run-away children, or persons recovering from drug offenses, for example. Such facilities are to be operated so that services are available to the community. Additionally, reasonable fees may be charged by GSSI to persons benefiting from programs or using the program's facilities assisted with CDBG, but charges that have the effect of precluding low- and moderate-income persons from benefiting from programs or using the facilities, are not permitted. In addition to the request for City of Lompoc CDBG, GSSI will apply in:

- November of 2006 for a \$500,000 grant from the Weingart Foundation (letter of intent submitted; GSSI will be invited to submit a full application in February 2007);
- February of 2007 for a \$1,000,000 grant from the State of California Emergency Housing Assistance Program – Capital Development (EHAP-CD), with award notification in July 2007; and
- Throughout 2007-08 for an additional \$355,000 in grant funds from private foundations, Santa Barbara County, and community support.

Ms. Bernard has indicated that if GSSI did not receive the bulk of their funding from the State this year, they would continue to pay lease payment to Trinity Ventures for the use of the improved facility, and continue to raise funds to acquire the facility from Trinity.

If the Council chooses to accept GSSI's application for CDBG funds, staff will process the application, ensure that all financial requirements are met and conduct the required environmental review. Once the application has been processed, it will be returned to Council for a final decision as to whether to approve or deny the request.

Staff recommends that in processing this application, conditions on the proposed loan be developed, including that CDBG funds would be disbursed through escrow only if State EHAP funds (or another grant for a similar amount) are also awarded for acquisition of the 608 W. Ocean Avenue property by GSSI. In addition, staff recommends that the \$250,000 be provided as a 10-year deferred loan at 0% interest, due at maturity or upon sale or transfer of property, or lapse or revocation of the Conditional Use Permit. The City's loan could have language that would allow GSSI to extend the maturity of the City's loan for an additional period, if the program's initial term was successful and GSSI desired to continue the program.

Arguments against Council's consideration of GSSI's request for funding is that the request for \$250,000 by Good Samaritan was not included in the City's 2005-2010 Consolidated Plan, which was prepared last year and includes other community development infrastructure and public facility needs. Other potential projects include the rehabilitation of the Ryon Park Park restroom to include ADA improvements, additional street/ sidewalk and curb improvements in low-income census tracts, a new

PAL Youth Center, and reuse of the Lompoc Theater, among other uses. An argument in favor of Council's consideration is that community statistics gathered by GSSI and the City's Consolidated Plan have both identified an unmet need in Lompoc for substance abuse treatment services for persons in families with children (Consolidated Plan Table 1A).

Project Financing:

The following shows the proposed project financing:

EHAPCD	1,000,000
Weingart Foundation	500,000
Private Foundations	300,000
City of Lompoc	250,000
Santa Barbara County	
Alcohol & Drug/ DSS	30,000
Community Support	25,000
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TOTAL SOURCES	\$2,105,000

The total project cost for this acquisition/ construction project is detailed as follows:

Land Costs (or Value)	1,500,000
Site Work	25,000
Structures	400,000
Design	25,000
Contingency	50,000
Permit	10,000
Furnishings	20,000
Kitchen & Appliances	25,000
Project Administration	50,000
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TOTAL PROJECT COST	\$ 2,105,000

Environmental Review

GSSI's request for CDBG funding will undergo environmental review, pursuant to the National Environmental Policy Act (NEPA) and the California Environmental Quality Act (CEQA) as a part of project processing. The final environmental documents will be provided for Council review and consideration, at the time the loan package returns to the City Council for a final decision as to whether or not to loan the funds.

Dinah Perez Lockhart
Community Development Program Manager

APPROVED FOR SUBMITTAL TO THE CITY ADMINISTRATOR:

Arleen T. Pelster, AICP
Community Development Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Gary P. Keefe, City Administrator

ATTACHMENT:

1. [Consolidated Plan 'Unmet Need/ Gap for Substance Abuse Treatment Services for Persons in Families With Children' \(Consolidated Plan Table 1A\).](#)
2. [Application for Reservation of Funds](#)