



County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: Human Services Department

Subject: Ratify Capitalized Operating Subsidy Reserve Agreement

Meeting Date: June 24, 2025

Formal Title: Approve the Capitalized Operating Subsidy Reserve Agreement with Housing Matters Harvey West Studios to subsidize 20 units for at least 15 years utilizing Housing Disability Advocacy Program Targeted Strategic Investment funding, and take related actions

Recommended Actions

1. Approve the Capitalized Operating Subsidy Reserve (COSR) Agreement with Housing Matters Harvey West Studios to subsidize 20 units for at least 15 years utilizing Housing Disability Advocacy Program Targeted Strategic Investment funding totaling \$4 million; and
2. Authorize the Human Services Department Director and designee(s) to make minor, non-substantive, and periodic updates, as needed, to the COSR Agreement without requiring Board authorization, pending approval as to form from County Counsel.

Executive Summary

The Human Services Department (HSD) requests approval of the Housing Matters Harvey West Studios Housing Disability Advocacy Program (HDAP) Targeted Strategic Investment (TSI) Capitalized Operating Subsidized Reserve (COSR), dedicating \$4 million in awarded funding for up to 20 HDAP set-aside housing units at the future Harvey West Studios supportive housing development for a period of not less than 15 years. HSD previously deferred ratification of this agreement pending necessary documents, feedback from the California Department of Social Services and time to negotiate the agreement. The agreement has been fully negotiated with all parties but has not been fully executed.

Discussion

The California Department of Social Services (CDSS) Housing Disability Advocacy Program (HDAP) was established in 2016 to assist people experiencing or at risk of homelessness who are likely eligible for disability benefits by providing advocacy for disability benefits as well as housing supports. HSD has been a recipient of HDAP grant funding since the State first initiated the program. Historically, HDAP funds have been utilized locally to pay for housing related supportive services, disability benefits advocacy, time-limited rental assistance, and flexible client assistance funds.

In Fiscal Year (FY) 2021-22 and FY 2022-23 HSD was awarded \$2 million in HDAP TSI funds, for a total of \$4 million in HDAP TSI. The TSI program allows interested local governments to invest HDAP funds to increase the number of eligible HDAP participants that can secure housing long-term. The County approved a commitment of this funding to the Housing Matters Harvey West Studios project at the June 25, 2024, meeting of the Board (the following link provides information on the Board's actions ([DOC-2024-548](#))).

A COSR involves the set-aside of a specific amount of funding in an interest-bearing trust account to be utilized over time to ensure adequate operating income for a housing project and to ensure rent levels remain affordable for specific target populations. HSD has executed an agreement setting aside up to \$4 million of HDAP TSI funding in reserve for the Harvey West Studios Project to secure up to 20 units for at least 15 years for the HDAP population. This plan to utilize the HDAP TSI awarded funds has now been reviewed by CDSS.

Reserve funds will only be utilized after completion of project construction and tenants move in to designated units. HDAP designated units will be reserved for individuals that meet the HDAP eligibility requirements of homelessness, disability, and not currently receiving disability income benefits. HDAP participants will receive supportive services through a separate supportive services contract with Housing Matters. Referrals to units will be made through the local Continuum of Care (CoC) coordinated entry system as required by the HDAP program.

The attached agreement has been negotiated with Housing Matters and in alignment with the June 25, 2024, Board action.

Financial Impact

Approval of the recommended actions will not require a new General Fund contribution. This agreement has provided the County with an opportunity to secure additional state funding to address homelessness and to provide critical operational funding support for a prioritized permanent supportive housing project within the County. The full \$4 million of the Housing Matters Harvey West Studios COSR agreement comes from the HDAP TSI funds awarded by CDSS in FY 2021-22 and FY 2022-23.

Contract No. 25W4324 Housing Matters

- 133957-75231

Strategic Initiatives

Operational Plan - Attainable Housing

Submitted By:

Randy Morris, Director of Human Services

Recommended By:

Carlos J. Palacios, County Executive Officer

Artificial Intelligence Acknowledgment:

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.