



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

Department Name: County Executive  
Office  
Department No.: 012  
For Agenda Of: October 14, 2008  
Placement: Departmental  
Estimated Tme: 45 mins.  
Continued Item: No  
If Yes, date from:  
Vote Required: No Vote Required

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**TO:** Board of Supervisors  
**FROM:** Department Michael F. Brown, County Executive Officer, 568-3404  
Contact Info: John Baker, Assistant CEO, 568-3404  
**SUBJECT: Credit Impacts of Development and Foreclosures**

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**County Counsel Concurrence**

As to form: N/A

**Auditor-Controller Concurrence**

As to form: N/A

**Recommended Actions:**

The Board of Supervisors:

Receive an Update of Credit Crisis on New and Existing Development.

**Summary Text:**

At the September 23, 2008 Board meeting, Supervisor Gray expressed concern for developments that might significantly impacted by the credit crunch that is affecting the entire nation. She indicated that she had heard there might be multi-parcel developments that are currently permitted and under construction that are losing their credit, causing them to abandon their projects. An initial review of projects indicates there may be some validity to the concerns the Supervisor has raised. The concerns go beyond the specific problems with financing of the developments. Adjacent neighborhoods are likely to feel the impact of vacant homes or partially completed infrastructure.

As the issue of developments causing potentially degrading impact on adjacent neighborhoods is considered, there is also a concern for degradation of neighborhoods resulting from foreclosures in existing housing tracts. Information from the County Clerk/Assessor on foreclosures would indicate there to be a significant number of homeowners that have been unable to meet mortgage payment resulting in a surrender of the home to the financing entity. The problem is significantly higher in the cities and unincorporated north county areas of Santa Maria and Lompoc.

At the present time, there are 11 multi-parcel developments in different stages of construction in the county. There are in excess of 1,500 foreclosures outside of these 11 developments that need to be considered in terms of possible degradation to surrounding neighborhoods.

In response to the crisis that is facing homeowners and developers, and with a concern for the neighborhoods adjacent to the homes that are faced with an inability to meet financial requirements, a task force has been formed to develop a program to address the issues. The task force is in a truly formative stage, but is committed to quickly identifying the trouble areas and providing positive steps to minimize the impacts on the surrounding neighborhoods to the extent possible. This task force is made up of representatives from Building & Safety, Code Enforcement, Fire, Public Works, Sheriff, Housing and Community Development, Clerk/Assessor and County Counsel.

The first steps of the coordinated approach to addressing the problems caused by the credit and mortgage crisis are as follows:

- Develop an inventory of development projects and individual properties experiencing credit or foreclosure problems; there is a need to get the best information regarding projects in peril to limit what might be an otherwise possible scattergun approach to resolution of the problems from a County perspective.
  - Projects in various state of construction will be surveyed by a team of representatives from Building and Safety, Public Works and Fire. This team will ascertain the status of the not completed projects relating structural construction, infrastructure improvements and security.
  - Existing bonding in place for each of the projects will be assessed in relation to the requirements of the projects
- Financial institutions behind each of these projects will be identified in order establish the backup that may be necessary to complete necessary improvements, maintenance requirements and security.
- Individual residential properties subject to foreclosure will be identified using information from the Clerk/Assessor.
  - Once properties have been identified, Code Enforcement will conduct a survey to determine the physical status of each of the homes; the survey will include a determination of whether they are occupied or vacant; it will include a determination of the physical integrity of the structure; Building & Safety personnel will be used as necessary to judge integrity and safety issues.
  - On a priority basis the financial institution responsible for the home will be ascertained to set in motion notification of owner responsibilities for security and maintenance of the structure.
- County Counsel will do the necessary legal research to determine what actions the County can take to ensure the properties are properly maintained and secured; if the County enters into

activities to maintain and secure properties, it is anticipated that it may have to be accomplished through private contractors.

- Once information has been obtained for problem properties, the Sheriff's Department will determine how to establish an ongoing surveillance on a priority basis to deter vandalism and security problems for vacant properties.
- Throughout the initial phase of the program development and implementation, best practices from other agencies will be researched to maximize the County staff efforts.
- The Auditor's Office will be asked to begin the process of setting up cost codes to capture expenditures for all activities to be conducted as part of this program.

As a separate item, the CEO's Office, in conjunction with County HCD is coordinating a program to respond to and implement the programs included within HR 3221, the Housing and Economic Recovery Act of 2008. This provides for funding to state and local governments for the acquisition and or rehabilitation of foreclosed properties. Additionally, monies are also available via the Act to provide for prevention foreclosure counseling. According to recent figures released by HUD, Santa Barbara County's foreclosure rate of 5.6 % ranks 64 out of the 177 California cities and counties eligible to receive funding. Given this rate and ranking, the County is not eligible for the direct allocation of funding per guidelines set forth in the Act. However, the County is well positioned to compete for the \$145 million allocated to the State program. Staff is currently working on developing a program to maximize utility of potential funding available and will prepare application to the state pool for funding.

**Background:**

The crisis that has hit homeowners and developers is well chronicled at this time. It is front page news virtually every day. While there may be differences of opinion as to the start of the problems, clearly the sub-prime mortgages that were offered to those purchasing and/or refinancing homes played a major part in the process. The actions of banks to sell off these mortgages to financial institutions who in turn bundled them and sold them to investors played into the larger crisis that has now spread world wide. The result for many homeowners has been a forced walking away from their homes. Credit tightened and those building new homes have been faced with a two pronged problem; 1) an inability to secure necessary additional financing to properly complete developments, and 2) a dearth of potential buyers for homes that have been completed.

In addition to the impacts of incomplete projects and foreclosed and vacant homes, the County will also suffer the consequences of reduced home values and a reduction in its major source of discretionary revenue – property tax. The ability of the County to address the problems of this crisis is likely to be limited in the future.

**Fiscal and Facilities Impacts:**

Budgeted: No

**Fiscal Analysis:**

Narrative: There are no fiscal impacts with this action.

**Authored by:**

John Baker, Assistant CEO/Planning Director

cc: