



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: Community Services
Department
Department No.: 055
For Agenda of: 03/05/2013
Placement: Departmental
Estimated Tme: 15 minutes
Continued Item: No
If Yes, date from:
Vote Required: 4/5

TO: Board of Supervisors; and
Board of Supervisors acting as the Successor Agency to the former Santa Barbara
County Redevelopment Agency

FROM: Department Herman Parker, Director, Community Services Department 568-2467
Director(s)
Contact Info: Mark A. Paul, Deputy Director, Public Works 568-3016

SUBJECT: **Two-Year Option, from the County, to the Housing Authority of the County of
Santa Barbara, To Purchase Real Property at 761 Camino Pescadero Road, for the
Pescadero Lofts Affordable Housing Project (Third District)**

County Counsel Concurrence

As to form: Yes

Other Concurrence: N/A

As to form: No

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors of the County of Santa Barbara, acting as the Successor Agency to the former Santa Barbara County Redevelopment Agency:

1. Determine that the previously certified EIR prepared for the Isla Vista Master Plan (03-EIR-08) is adequate environmental review for this project pursuant to CEQA Guidelines Section 15168(c)(2);
2. In accordance with Health & Safety Code Section 34176(a), direct the Chair to execute a quitclaim deed included as Attachment 1 of this Board Letter, to transfer interest in the real property housing asset located at 761 Camino Pescadero, known as Assessor Parcel Number 075-020-005, from the Successor Agency to the former Santa Barbara County Redevelopment Agency, to the County of Santa Barbara.

That the Board of Supervisors of the County of Santa Barbara:

3. Determine that the previously certified EIR prepared for the Isla Vista Master Plan (03-EIR-08) is adequate environmental review for this project pursuant to CEQA Guidelines Section 15168(c)(2);

4. Accept title to the real property housing asset, conveyed from the Successor Agency to the former Santa Barbara County Redevelopment Agency and located at 761 Camino Pescadero, in unincorporated area of Isla Vista, and known as County Assessor Parcel Numbers 075-020-005, by authorizing the Clerk of the Board to execute the Certificate of Acceptance attached to the quitclaim deed;
5. In accordance with Government Code Section 65402(a), receive and file the General Plan Conformity Report transmitted by the County Planning Commission on February 6, 2013 under Case No. 13GOV-00000-00001, included as Attachment 2 of this Board Letter;
6. In accordance with Government Code Section 25339.4(a), determine that the real property owned by the County located at 761 Camino Pescadero, known as Assessor Parcel Number 075-020-005, can be used to provide housing affordable to persons and families of low or moderate income, as defined by Section 50093 of the Health and Safety Code or as defined by the United States Department of Housing and Urban Development, and that granting the Housing Authority of the County of Santa Barbara a two-year option to purchase that property to provide that affordable housing is in the County's best interests;
7. Approve and direct the Chair to execute the attached original and duplicate original Option Agreement between the County of Santa Barbara and the Housing Authority of the County of Santa Barbara, included as Attachment 3 of this Board Letter, for a two-year option for the Housing Authority of the County of Santa Barbara to purchase County property known as APN 075-020-005 located at 761 Camino Pescadero, Isla Vista, CA, for the cash price of \$2,900,000, to provide affordable housing.

Summary Text:

The recommended actions would allow the Housing Authority of the County of Santa Barbara (Housing Authority), if it exercised a purchase Option Agreement, to develop a 33-unit affordable housing project known as the "Pescadero Lofts" on property that the former Santa Barbara County Redevelopment Agency bought in 2010, located at 761 Camino Pescadero Road in Isla Vista. The Board of Supervisors approved this project's Development Plan, Coastal Development Permit and rezone in March 2012. The Housing Authority is now pursuing tax credits through the State of California in order to help fund construction of the project. In order to obtain tax credits from the State, the Housing Authority is required to demonstrate control of the site and now seeks a two-year option to purchase the property from the County in order to do so. The purchase price identified in the Option Agreement is based upon a February 2013 appraisal which valued the property at \$2,900,000.

The attached Option Agreement:

- Would provide the Housing Authority with an irrevocable right to purchase this parcel from the County, during a two-year period, for \$2,900,000;
- Would not require the Housing Authority to purchase the parcel; and
- Does not presently commit the County to financing the Housing Authority's purchase of this parcel from the County.

If the Housing Authority receives tax credits from the State, County Staff expects that the Housing Authority later also will ask the County to finance the Housing Authority's purchase of this parcel from

the County, through a 55-year “residual receipts” loan at 3% interest in lieu of paying the cash price listed in the Option Agreement.

Background:

On September 7, 2010, the former Santa Barbara County Redevelopment Agency (RDA) purchased the property located at 761 Camino Pescadero in Isla Vista using the Agency’s Low and Moderate Income Housing Funds with the intention of developing a 100% affordable housing project. At the time of purchase, the subject property was appraised by an independent third party at a value of \$2,700,000, for which the property was purchased.

The property was leased to Sigma Vista Housing Corporation who vacated the property on June 30, 2012. It has remained vacant since that time. In order to prepare the site for development of the Pescadero Lofts project, the previously existing lead paint and asbestos materials present throughout the building were removed by a licensed contractor in October 2012. Demolition of the existing building is tentatively scheduled for March of 2013.

On March 15, 2012, the County Capital Loan Committee recommended that the County reserve \$442,234 in federal HOME funds for this project. This recommendation was approved by the Board on May 8, 2012. The developer indicated these funds would be used for project development costs and not property acquisition.

On June 28, 2011, the California State Legislature enacted and the Governor signed ABX1 26 “the Dissolution Bill”, requiring that each redevelopment agency in the State be dissolved. A provision in the Dissolution Bill afforded the County the option to retain the former Redevelopment Agency’s housing assets and functions. On January 10, 2012, the County Board of Supervisors approved a resolution electing to retain the Agency’s housing assets and functions including the Pescadero Lofts property. The California Department of Finance approved the County’s action to retain the property on August 29, 2012. The County’s election to retain housing assets resulted in the transfer of approximately \$9.5 million in housing assets from the former agency to a special revenue fund of the County. The assets of this fund are comprised primarily of residual receipts loans (~\$6.8 million) and the Pescadero property (~\$2.7 million). Inflows from loan repayments and property sales are broadly restricted for affordable housing activities in any area of the County. The broad restriction for use on affordable housing activities allows for Project development, but also allows funds to be spent on administration and program staffing for the County’s broader affordable housing program.

Staff of the former Redevelopment Agency and the Housing Authority began collaborating to develop the concept for the Pescadero Lofts project shortly after the property was purchased by the former RDA in 2010. Additional collaboration with the County, Isla Vista Foot Patrol and St. Bridgette’s who provides homeless services in the Isla Vista area, led to the project concept submitted to the County for land use approvals in the spring of 2011. That concept was ultimately approved by your Board on March 20, 2012 and includes a total of 33 rental units (26 studios, 6 one-bedrooms and one 2-bedroom manager’s unit). All units included in the project would be required to be provided at affordable rents to individuals and families who qualify under the County’s guidelines for very low income households at 50% or below of the area median income. Pursuant to the project’s conditions of approval, a regulatory agreement would need to be recorded by the Housing Authority prior to issuance of their Coastal Development Permit which would require all units in the project to be maintained as affordable for no less than a 55-year period. The first floor of the building includes a large community space intended to

host supportive services for project residents, several meeting rooms, a management office and the manager's unit. The second and third floors each include 16 residential units and laundry rooms.

Discussion:

The Housing Authority has not yet secured funding and would require a combination of various sources including tax credits from the State of California, HOME and/or CDBG funds, a traditional mortgage and possibly other financing sources. The Housing Authority is currently seeking an option to purchase the property from the County in order to apply for tax credits from the California Tax Credit Allocation Committee. As part of the tax credit application, the Housing Authority is required to demonstrate control of the property either through direct ownership or an option to purchase. The subject Option Agreement, once recorded, would satisfy this need.

Under California Government Code §25339.4, the County may sell the subject property in order to provide housing affordable to persons and families of low or moderate income, as defined by Section 50093 of the Health and Safety Code or as defined by the United States Department of Housing and Urban Development subject to a determination that granting the Housing Authority of the County of Santa Barbara a two-year option to purchase the property for the purpose of providing affordable housing is in the County's best interest.

Recommended actions 1 through 4 of this Board Letter are intended to update the ownership of the property to properly reflect the County of Santa Barbara as the current owner. Specifically, recommended action 2 would direct staff to execute a quitclaim deed to transfer ownership of the property from the Successor Agency to the former Redevelopment Agency, to the County of Santa Barbara. Since the property title was never updated to reflect this change, staff recommends your Board adopt recommended actions 1 through 4 regardless of whether recommended actions 5 through 7 are adopted.

Separately, recommended actions 5 through 7 would act to facilitate the Housing Authority's tax credit application by providing a two-year option to purchase the property from the County. The tax credit application must be submitted to the State of California Tax Credit Allocation Committee no later than March 6, 2013 and as part of that application, the Housing Authority is required to demonstrate control of the site through ownership of the property or through an option to purchase the property. Terms of the subject agreement would grant the Housing Authority a two-year option to purchase the property for a total cash price of \$2,900,000 provided they execute and record a Regulatory Agreement which requires all units developed on the property to remain affordable for no less than 55 years. The Regulatory Agreement would bind any successors in interest to the same restrictions and would guarantee the development of affordable housing consistent with the determination made in recommended action 6.

The 65402(a) conformity determination included in recommended action 5 was considered by the County Planning Commission on February 6, 2013 who found that entering into the proposed real estate Option Agreement with the Housing Authority is in conformity with the County's Comprehensive Plan.

Environmental Review:

Environmental review of the project under the California Environmental Quality Act (CEQA) has been completed pursuant to CEQA Guidelines Section 15168(c) [Program EIR] since the environmental impact report for the Isla Vista Master Plan (IVMP EIR) is a program EIR. Under section 15168, subsequent projects that are within the scope of the project covered by the program EIR do not require

additional environmental review if the effects of the site specific operation were covered in the program EIR and no new effects could occur or no new mitigation measures would be required pursuant to section 15162.

The Board of Supervisors certified the IVMP EIR (03-EIR-08) on August 21, 2007 which included and analyzed the intended buildout of Isla Vista's downtown revitalization. The subject property was proposed to be rezoned to MRD-30 (Mixed Residential Design, 30 units per acre) under the IVMP, and thus the proposed project and rezone to SR-H-30 is consistent with the density envisioned for the site in the IVMP and evaluated in the IVMP EIR. The IVMP EIR evaluated impacts associated with buildout of Isla Vista and provides a sufficient level of detail to provide the public and decision makers with a clear idea of the Plan's potential environmental impacts. Issue areas addressed in the IVMP EIR include Aesthetic/Visual Resources, Air Quality, Biological Resources, Cultural Resources, Drainage/Flooding, Fire Protection, Geological Resources, Land Use, Noise, Public Facilities, Recreation, Transportation/Circulation, and Water Resources.

There are no unique or peculiar features with respect to the subject parcel that would result in site-specific impacts that were not evaluated and identified in the IVMP EIR, and for which mitigation measures were adopted. The parcel is located in an urban area and is provided adequate public services by the appropriate service districts including the Goleta Water District, the Goleta West Sanitary District and the County Fire Department. The surrounding street network is adequate to carry to type and quantity of traffic generated by the proposed project. There is no environmentally sensitive habitat located on, or within 100 feet of the subject parcel. The site has been previously disturbed by the development of the Isla Vista street network and construction of the existing fraternity house building. There are no historic resources present and no known cultural resources within the site boundary.

Because an EIR has previously been certified, CEQA Guidelines Section 15162 states that no subsequent EIR shall be prepared for this project unless one or more of the following have occurred:

- a. Substantial changes are proposed in the project which will require major revisions of the previous EIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects.
- b. Substantial changes will occur with respect to the circumstances under which the project is being undertaken which will require major revisions to the previous EIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects.
- c. New information of substantial importance, which was not known and could not have been known at the time the previous EIR was certified as complete, has become available.

The project is consistent with the buildout projections contained in the IVMP and evaluated in the IVMP EIR. The California Coastal Commission considered a Local Coastal Program amendment related to the Pescadero Lofts project at their December 13, 2012 hearing, and conditionally approved it with one suggested modification pertaining to parking. Your Board subsequently approved the suggested modification on February 19, 2013. The Coastal Commission modification makes a change to the parking requirements for the proposed SR-H-30 zone district which would apply to the subject parcel, in order to ensure consistency with the Coastal Act and ensure that the increased density of the site would not result in adverse impacts to coastal access due to inadequate on-site parking.

The proposed Pescadero Lofts Affordable Housing project would be in compliance with the parking requirements applicable to the SR-H-30 zone district suggested by the Coastal Commission by providing one parking space for each of its studio and one-bedroom apartments and two parking spaces for the two-bedroom apartment, for a total of 34 parking spaces. The modification suggested by the Coastal Commission is not a substantial change to the project or substantial change with respect to the circumstances under which the project is being undertaken that will require major revisions to the previous EIR. There is no new information of substantial importance with regard to the project site or the Isla Vista community as a whole that is now available and which would alter the conclusions of the IVMP EIR or result in new significant impacts or increase the severity of previously identified effects. The IVMP EIR can be viewed on the World Wide Web at <http://www.countyofsb.org/ceo/rda.aspx?id=2148>.

Performance Measure:

Safe and Healthy Families: Housing for all Segments of the Population.

Fiscal Analysis:

Successor Housing Agency Fund

Since the County of Santa Barbara elected to retain the housing assets and functions of the former County of Santa Barbara Redevelopment Agency, including the subject parcel located at 761 Camino Pescadero, this parcel's use or proceeds from its sale are restricted to affordable housing. The asset is currently recorded as a \$2.7 million "land held for resale" asset in the County's Successor Housing Agency fund (housing fund) and currently constitutes approximately 95% of the fund's restricted fund balance.

Today's action does not result in the transfer or sale of the land and does not have an immediate impact on the net position of the housing fund. Notwithstanding, the granting of the option and housing program staff's stated intention to sell the land in exchange for a residual receipts loan agreement require that the potential effects of the option be disclosed in the County's financial statements.

Specifically, while the option is written as a cash option, if the land were exchanged for a residual receipts note (as described in the summary text) the transaction will have a material impact on the fund balance of the fund. This is because the County expenses principal amounts provided in connection with residual receipt loans and defers the recognition of proceeds from such loans until the payments are actually received. The accounting treatment for these loans results from the fact that payments are not typically received or expected for the first several years of the loan. The lack of certainty regarding the timing and amount of payments does not allow for recognition of the loan as an asset without an offsetting reduction in fund equity.

The impacts of this transaction while having the potential to substantially reduce the fund's equity may potentially be offset by the repayment of another deferred loan of \$1.5 million (principal) plus interest which is anticipated to be collected during the fiscal year ending June 30, 2016. In addition to the expected loan repayment, the housing fund also typically receives smaller repayments on other matured residual receipt loans; the payments totaled approximately \$56,000 and \$75,000 over the last two fiscal years respectively. The vast majority of these proceeds came from one loan for Parkview apartments which made repayments of approximately \$38,000 and \$58,000 over the last two years respectively. These loan proceeds are contingent on the performance of the underlying property financed by the loan and are not guaranteed.

General Fund

There has been no County General Fund contribution to this project to date. The cost for preparation of this board letter was billed to the County General Fund through the RDA Successor Agency.

Special Instructions:

After Board action, please distribute as follows:

- | | |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| 1. Copy of Original Quitclaim Deed | Clerk of the Board |
| 2. Original Quitclaim Deed & Minute Order | Office of Real Estate Services |
| 3. Original Option Agreement | Clerk of the Board |
| 4. Duplicate Option Agreement & Minute Order | Office of Real Estate Services |
| 5. Minute Order | Bob Havlicek
Director of Finance
Housing Authority of the County of Santa
Barbara
815 W Ocean Ave
Lompoc, CA 93436-6526 |

NOTE: The Clerk of the Board should retain a copy of the quitclaim deed with a copy of the Certificate of Acceptance until the quitclaim deed is recorded. Upon recordation of the quitclaim deed, Office of Real Estate Services will return a copy of the recorded quitclaim deed to the Clerk for its file and reference.

Attachments:

1. Quitclaim Deed
2. 65402(c) General Plan Conformity Report
3. Option Agreement

Authored by:

Errin Briggs, RDA Successor Agency Program Manager, 568-2047

cc:

Dinah Lockhart, Housing and Community Development
Mike Munoz, County Counsel
Mark Paul, Public Works
John Polanskey, Housing Authority of the County of Santa Barbara