



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 No.: 055
For Agenda Of: 2/14/17
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department George Chapjian, Community Services Director (805) 568-2485
Director(s)
Contact Info: Dinah Lockhart, Deputy Director (805) 568-3523
Laurie Baker, Grants and Program Manager (805) 568-3521
SUBJECT: Funding Reservations to Sierra Madre Cottages, and
The Residences at Depot Street (Supervisory District 5)

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Approve a preliminary reservation of County funds for the Sierra Madre Cottages project that will (a) be in an amount not to exceed \$900,000; (b) consist of HOME funds and/or In-Lieu Funds in specific amounts to be determined by the Board at a later date; and (c) be released if People’s Self-Help Housing Corporation does not receive notification of an award of state low-income housing tax credits for the project by September 30, 2017;
- B. Authorize the Director of Community Services Department (CSD) to sign a letter to the Sierra Madre Cottages project applicant indicating the approved reservation (Attachment A);
- C. Approve a preliminary reservation of County funds for The Residences at Depot Street project that will (a) be in an amount not to exceed \$1,800,000; (b) consist of HOME funds and/or In-Lieu Funds in specific amounts to be determined by the Board at a later date; and (c) be released if the Housing Authority of Santa Barbara County does not receive notification of an award of state low-income housing tax credits for the project by September 30, 2017;
- D. Authorize the Director of the Community Services Department (CSD) to sign a letter to The Residences at Depot Street project applicant indicating the approved reservation (Attachment B);
- E. Determine that the approval of the reservation of funding is not the approval of a project that is subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15378(b)(4), finding that the actions are not a project as they are the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially

significant impact on the environment, and direct staff to file a Notice of Exemption (Attachment C).

Summary Text:

The Community Services Department (CSD) Housing and Community Development Division (HCD) received two funding requests for multi-family rental housing development projects:

1. Sierra Madre Cottages, located directly south of 624 East Camino Collegio in Santa Maria. The project consists of 40 affordable housing units, of which 39 will be for low-income seniors and one manager's unit. The developer is Peoples' Self-Help Housing Corporation.
2. The Residences at Depot Street, located at 301 N. Depot St. in Santa Maria. The project will consist of 80 affordable housing units, of which 78 will be for low-income formerly homeless and special needs households and two (2) managers units. The developer is the Housing Authority of the County of Santa Barbara.

The recommended actions are for the Board to approve two funding "reservations". A "reservation" is a set-aside of County funds for a specific project for a specific time period. This allows the applicant to continue its efforts to secure the additional funding needed, including an allocation of Low Income Housing Tax Credits (LIHTC) to demonstrate financial feasibility.

The developers of the two projects plan to apply to the California Tax Credit Allocation Committee (CTCAC) for an allocation of LIHTC on March 1, 2017 (first application round), which, if awarded, will complete the funding required for the projects. If not awarded tax credits in the first application round, announced on June 7, 2017, the developers will resubmit their applications in the second application round on June 28, 2017. Tax credit allocations for the second round will be announced on September 20, 2017. The County's reservation of funds will be set aside for the projects through September 30, 2017. If one or both of the Projects are awarded LIHTC, staff will return to the Board to consider approval of a firm commitment of funds for the Project(s) and inclusion of the Project(s) in the County's Action Plan. Any use of federal funds awarded to the County from the U.S. Department of Housing and Urban Development (HUD), such as Community Development Block Grant (CDBG) or HOME Investment Partnerships Program (HOME) funds must be included in the County's HUD approved Action Plan for the use of federal funds. The terms of the commitment of funds will likely be in the form of a low interest, residual receipt loan.

The proposed County reservations of funds for the Projects were considered by two review committees prior to being submitted to the Board for consideration. An internal County committee consisting of staff from the Community Services and Auditor/Controller departments reviewed the projects' sources and uses of funds, and 20-year cash flow projections. CSD/HCD staff then convened the County's Capital Loan Committee (Committee) on January 12, 2017 to hear staff's analysis of the Projects' feasibility. The Committee met quorum with four of the six voting members in attendance and voted unanimously to recommend funding to the Sierra Madre Cottages Project, in the amount of \$900,000. The Committee did not take formal action with respect to The Residences at Depot Street because a quorum was unavailable after one committee member abstained citing a possible conflict of interest. However, the members who were present did express their support for staff's recommendation. The Capital Loan

Committee’s recommendation for The Residences at Depot Street does not qualify as a formal action because there was not a quorum due to the member’s abstention.

The specific distribution from the HOME line of credit and the In-Lieu fund balance will be determined at a later time.

Background:

County HCD administers an affordable housing development program which is funded through federal HUD funds and local In-Lieu Fee funds. The County receives annual allocations of HUD funds from the Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), Emergency Solutions Grant (ESG), and Continuum of Care (Coca) programs. The County receives ESG funds every other year, due to the HUD grant formula that establishes minimum thresholds for awarding ESG funds to local communities.

HOME funds are annually allocated to the County on behalf of the Santa Barbara County HOME Consortium which consists of the County and the cities of Buellton, Solvang, Goleta and Carpinteria. The cities of Lompoc and Santa Maria withdrew from participation in the HOME Consortium in 2016. The County may fund a project in a City outside the County Consortium boundaries; provided that the local jurisdiction, in this case the City of Santa Maria, also contributes its own funds to the project. The County, as the ‘lead entity’ of the Consortium, establishes a percentage allocation of HOME funds to its partner cities via formula, based on population and other factors. Funds are not awarded to the cities, per se, but to projects identified by the cities in their jurisdictions. In order to meet federal deadlines for the commitment and expenditures of HOME funds, the County may commit those funds to other projects throughout the County, if the cities do not have projects ready to utilize the funds. HOME funds must be committed to eligible programs or projects within two years and expended within five years of the allocation year.

Projects that are approved by the Board for funding from the CDBG, HOME, or ESG programs are included in the County’s annual Action Plan, or in an amendment to the Annual Action Plan, and submitted to HUD. Annual Action Plans and amendments are approved by the Board prior to submission to HUD. The Inclusionary Housing Ordinance (IHO), the details of which are in Chapter 46A of the County Code of Ordinances, requires certain residential projects to provide a portion of the development as price restricted affordable housing units. The Ordinance allows developers to pay the County a fee in-lieu of developing the units. The In Lieu Fee fund may be directed by the Board to provide for the development of affordable housing. In-lieu fees are generally used for affordable housing developments that are located in the Housing Market Area (HMA) in which the in-lieu fees were collected.

HOME and In-Lieu funds may be used for grants and loans for eligible uses under their respective program requirements.

Staff Funding Recommendations

Sierra Madre Cottages

Sierra Madre Cottages is located directly south of 624 East Camino Collegio, in Santa Maria. The Project will contain a mix of 36 1 -bedroom, and 4 2-bedroom apartments, a total of 40 units for senior adults. One (1) of the units will be a Manager’s Unit. The Project will also include a 2,860 square foot Community Center (for resident use only) which includes a lounge, kitchen, library/computer room, laundry facilities, restrooms, and office space for the onsite manager and resident supportive services. Other amenities will include walking paths, and community garden space. The Project will provide affordable housing units for seniors with income levels of 30 to 60 percent of Area Median Income (AMI).

PSHHC requested \$1,580,000 in its application with HCD. Additionally the City of Santa Maria, while it was still a member of the HOME Consortium, recommended awarding its 2015 City allocation of \$199,107 to the project for a total funding request of \$1,779,107. An analysis of prior HOME allocations to projects showed that, on average, \$22,500 per unit in County HOME funds were awarded to develop affordable housing units. Therefore, HCD’s internal review team and the Capital Loan Committee recommend that this project receive a reservation of \$900,000 in County HOME and/or In-Lieu funds. The specific distribution from the HOME line of credit and the In-Lieu fund balance will be determined at a later time.

The following chart shows the projected total development costs and sources of funds to the Project.

<u>Development Costs</u>		<u>Funding Sources</u>	
Total Development Costs	\$11,002,122	Perm Loan Tranche A	\$1,138,000
		Perm Loan Tranche B	\$388,000
		City of Santa Maria - CDBG	\$651,853
		City of Santa Maria- CDBG&HOME	\$350,738
		County HOME/In Lieu	\$900,000
		NeighborWorks	\$500,000
		Deferred Developer Fee	\$200,000
		Gap (Developer to fill)	\$680,000
		Limited Partner Equity (Net)	\$6,193,531
			<hr/>
			\$11,002,122

The Residences at Depot Street

The proposed project includes a total of 80 residential dwelling units, divided between two separate buildings. The units offered are all single floor, and include studio, 1-bedroom, 2-bedroom and 3-bedroom units. The buildings will be three stories and served by elevator and stairs. Off street surface parking area will be provided. In addition to the living units, there will be interior common meeting areas for resident support services, a community meeting room, computer lab, and clinic. Landscaped

areas are provided for family recreation. There will be a small commercial office for property management staff.

The applicant requested \$2 million in its application for County funds. An analysis of prior HOME allocations to projects showed that, on average, \$22,500 per unit in County HOME funds were awarded to develop affordable housing units. Therefore, HCD’s internal review team and the Capital Loan Committee recommend that this project receive a reservation of \$1,800,000 in County HOME and/or In-Lieu funds. The specific distribution from the HOME line of credit and the In-Lieu fund balance will be determined at a later time.

The preliminary estimates of the sources and uses during the construction phase are shown in the charts below.

<u>Development Costs</u>		<u>Funding Sources</u>	
Total Development Costs	\$30,277,299	Construction Loan	19,403,558
		Tax Credit Equity (LIHTC/Solar)	4,224,134
		Seller Land Loan	725,000
		County Loan	1,800,000
		MHSA	2,372,845
		GP Equity	49,421
		Deferred Costs	1,702,341
			<u>30,277,299</u>

Summary of Funds Available

HOME Balance	2,025,204
In-Lieu Balance	1,155,190
Total Sources:	<u>\$3,180,394</u>

Project

Sierra Madre Cottages - PSHHC	900,000
Residences at Depot Street – HASBARCO	1,800,000
Balance	<u>\$480,394</u>

There are two other housing development projects in the pipeline, which will come before the Board at a later time.

Contract Renewals and Performance Outcomes:

N/A

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State			
Federal			\$ 2,700,000.00
Fees			
Other:			
Total	\$ -	\$ -	\$ 2,700,000.00

Narrative:

The HOME funds being allocated to the two projects have been received by HUD and are in the County’s line of credit. The in-lieu funds have been received from developers who paid the fees and the funds are in the CSD budget.

Key Contract Risks:

Contracts are not being executed at this time. If one or both of the projects receive allocations of LIHTC and other funds needed for the project(s) to proceed, staff will return to the Board for firm commitments of funds and execution of County loan documents. If one or both Projects do not receive allocations of LIHTC, staff will return to the Board to extend the funding reservation or to re-allocate the funds to other eligible projects.

Staffing Impacts:

The current requested activity falls within currently budgeted staff duties. However, a future commitment of County funds to the Projects will necessitate regulatory monitoring for a minimum of 20 years and fiscal monitoring for the term of the loans. Monitoring will be conducted by CSD existing staff.

Special Instructions:

Please provide a copy of the Minute Order (email to Laurie Baker, lbaker@co.santa-barbara.ca.us)

Attachments:

- A. County Letter of Reservation of Funds – Sierra Madre Cottages
- B. County Letter of Reservation of Funds – The Residences at Depot Street
- C. CEQA Notice of Exemption