

**SANTA BARBARA COUNTY
BOARD AGENDA LETTER**



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

Agenda Number:

Prepared on: 9/4/02
Department Name: County Administrator
Department No.: 099
Agenda Date: 9/17/02
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors
FROM: Michael F. Brown
County Administrator
STAFF CONTACT: Patricia Gabel
#3522
SUBJECT: HOME funding for Valentine Court III, Santa Maria

Recommendation(s):

That the Board of Supervisors:

- A. Approve the commitment \$110,000 from the unincorporated County formula share HOME allocation for various soft costs, including local city and legal fees and taxes associated with the development of Valentine Court III (VC III) Apartments in Santa Maria by Valentine Court III, Inc., a California not-for-profit public benefit corporation sponsored by People's Self Help Housing Corporation (PSHHC).
- B. Authorize the County Administrator to execute a Loan Agreement, Residual Receipts Note and a Regulatory Agreement (Attachment A) with Valentine Court III, Inc. for soft costs for this project, and substantially the forms attached thereto, consistent with the terms and conditions detailed in this Board letter and its attachments.
- C. Authorize the County Administrator to execute a Subordination Agreement to the State Housing and Community Development Multifamily Housing Program (MHP) in the future when the State MHP funds are introduced into the project.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 5. Maintain and Enhance the Quality of Life for all Residents.

Executive Summary and Discussion:

Valentine Court III, Inc. has requested \$110,000 to fill the development financial gap for the construction of 9 accessible, 1 and 2 bedroom apartments in Santa Maria to be Valentine Court III (VC III). VC III, located at 250 E. Newlove Ave. in Santa Maria, is an extension of Valentine Court I and II and is designed as independent living for persons with developmental disabilities, consistent with County program guidelines and goals. The project will be owned by Valentine Court III and managed by the Duncan Group, a subsidiary of the PSHHC. The U.S. Department of Housing and Urban Development (HUD) Section 811 funding that will be utilized to construct the apartments dictates this ownership structure.

HUD conducted an appraisal of the Section 811 project and has appraised the value of the site at \$140,000. The purchase price of the site is \$120,000 without associated title; escrow or legal fees. Total project cost is \$1,321,838. Approximately \$80,000 in local permits and fees will bring the cost to \$146,870 per unit. The request for \$110,000 is in response to SB 975, requiring workers of publicly funded projects to be paid state prevailing wages. The increased construction/development costs are offset by the reasonable cost of the land.

VC III has already received a HUD Section 811 Program fund reservation of \$757,200 and a commitment of \$306,303 from the State Department of Housing and Community Development MultiFamily Housing Program, \$120,986 from the City of Santa Maria and \$27,349 from sponsor equity. Total of HOME designated units in the project will be less than 11 so that the federal Davis- Bacon overlay will not be triggered by the HOME funding. Compliance documentation will be the obligation of the HUD architect and HUD consultant as required by the HUD Section 811 funding.

VC III's tenants will be adults with developmental disabilities who are capable of living independently. The State of California Department of Developmental Services provides for support services necessary for these tenants to live independently through the Tri- Counties Regional Center. The Regional Center will be responsible for securing the necessary and appropriate supportive services for each tenant. All service providers are vended by the regional center. Tenants at the VC III Apartments will also be eligible to receive a HUD Section 811 Project Rental Assistance Contract (PRAC) which is the project based rental subsidy match to the HUD Section 811 construction funding.

The project leverages other federal and private funds at a rate of \$12.02 for every \$1 of County funds. County funding is \$12,222 per unit and consistent with the limits of assistance per unit identified in the County's Administration and Funding Guidelines.

The project received a Negative Declaration pursuant to Section 15073 of CEQA. HUD regulations and HUD Site Approval documents for the project require National Environmental Protection Act (NEPA) review and clearance by HUD staff to draw down the Section 811 multifamily funding. Although HUD will be completing its own Environmental Review, a separate HOME Program NEPA review was conducted that produced a Combined Finding of No Significant Impact. Compliance with Federal Environmental Review requirements was coordinated with the HUD Multifamily Housing Program.

The funding for the HOME and Local Funding loans was recommended for approval by the Loan Committee on July 18, 2002, subject to the following conditions, which have either been met or are incorporated into the attached loan agreement and related documents.

- That the County funding be in the form of a 3% interest, residual receipts 30-year term loan,
- That the County loan be in third position, subordinate only to U.S. Department of Housing and Urban Development (HUD) and the State MultiFamily Housing Program,
- That the award of funds is subject to environmental clearance pursuant to the National Environmental Policy Act,
- Documentation of HUD approval of the Marketing Plan, Supportive Services Plan and Housing Management Plan, and
- That the terms of the Regulatory Agreement governing this project be consistent with and enforcing all HOME requirements, including a minimum 30-year term of affordability.

It has been arranged with the State that in the event of residual receipts, the payment would be divided between the County and the State proportionate on the amount of the loans. Thus, the County would receive 26% of the residual receipts and the State would receive the remaining 74%.

Mandates and Service Levels:

No changes to programs or service levels.

Fiscal and Facilities Impacts:

This project will increase the supply of affordable housing for individuals with developmental disabilities in the North County and insure its long-term affordability. County administrative activities related to project development are eligible for reimbursement by the HOME program under the 10% set aside for administration activities. This proposed action allocates for specific use funding contained in the adopted 2002/03 budget.

The total cost of the project is \$1,131,838. The County’s contribution to the project is \$110,000. The County’s 10% administrative drawdown will be \$11,000 or 10% of the project cost.

Part 92, Section 503 (b) of the Federal HOME program regulations state that any funds invested in housing that do not meet affordability requirements for the period specified in the regulations must be repaid by the participating jurisdiction (the County). It is possible that if the project were to fail, the County could be liable to repay the amount of the loan. It is important, however, to note County staff conducted detailed underwriting including risk analysis for VC III.

Pursuant to Section Three: I.D.1.e. on page 25 of the adopted Housing Finance and Development Division’s Administration and Funding Guidelines, the Loan Agreement does not require PSHHC to bond for performance on VC III. The HUD funding requires bonding and the Guidelines allow discretion to exempt performance bonding for special needs or certain small projects.

Program 6001 Org 6203 Project 0037

Special Instructions:

Clerk of the Board to return original loan agreement to Housing Finance with minute order. A copy of the fully executed loan agreement will be provided to the Clerk of the Board for their files.

Concurrence:

Auditor Controller, Risk Management