



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: April 11, 2017
Placement: Administrative
Estimated Time: N/A
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: Approval of County funds to Habitat for Humanity of Southern Santa Barbara County to construct and sell 3 homes to low-income families. (First District)

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 grant to Habitat for Humanity of Southern Santa Barbara County, in the amount of \$300,000 that will consist of Inclusionary Housing Ordinance (IHO) In-Lieu fee funds, to construct three single-family homes in the City of Carpinteria (Project);
- B. Authorize the Chair of the County Board of Supervisors to execute a County Grant Agreement (Attachment A), and a County Interim Covenant (Attachment B) between the County of Santa Barbara and Habitat for Humanity of Southern Santa Barbara County;
- C. Determine that the recommended actions are 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 D).

Summary Text:

Habitat for Humanity of Southern Santa Barbara County (Habitat) is a nonprofit organization that provides homeownership opportunities for low-income families. Staff recommends that the Board approve a grant for \$300,000 in County funds to construct three (3) single-family homes in the City of Carpinteria. Each home will be roughly 1,200 square feet in size, with three bedrooms. The homes will

be sold to families with incomes ranging between 40% and 80% of the Area Median Income (AMI), as published annually by the U.S. Department of Housing and Urban Development (HUD) for the Santa Maria/Santa Barbara Metropolitan Statistical Area (MSA). There will be resale restrictions recorded against each of the properties to assure continued affordability to such Low Income families for ninety (90) years.

County HCD has available Inclusionary Housing Ordinance (IHO) In-Lieu fee funds for the Project. The Inclusionary Housing Ordinance (IHO) In-Lieu fee funds are collected from developers who pay the fee in-lieu of including affordable units in their housing developments in accordance with the County’s Inclusionary Housing Ordinance. In-Lieu funds are collected by Housing Market Area (HMA) and may be expended for housing projects either in the HMA from which they were derived or in the South Coast HMA.

<i>Available In-Lieu Funds</i>		Habitat Project	Balance
Santa Maria HMA	1,155,190	224,891	930,299
South Coast In-Lieu Funds	75,109	75,109	\$0.00

The County and Habitat for Humanity will execute a Grant Agreement (Attachment A) and Interim Covenant (Attachment B). The Interim Covenant will be recorded against the property and will require that the 3 homes be constructed and sold to eligible buyers. It will also require that a County Affordable Housing Covenant (Attachment C) be executed by the first homebuyer of each housing unit and recorded against each home. The County Affordable Housing Covenant will be recorded in a senior lien position to any deeds of trust and will be effective for a period of ninety (90) years. The County Affordable Housing Covenant will require that the housing unit be owned and occupied exclusively by Low Income households. The County Affordable Housing Covenant will be in addition to Habitat’s own affordability covenant. Habitat’s covenant, which will be in a form approved by the County Community Services Director or designee, will also limit occupancy to Low Income households and will contain additional provisions that enable Habitat to serve as the administrative entity overseeing future transfers of the unit. The County will maintain enforcement authority under its own Affordable Housing Covenant and will have the ability to record additional affordability restrictions in the event that Habitat fails to reasonably enforce the affordability restrictions, ceases to exist in Santa Barbara County or loses its 501(c)(3) designation.

Background:

Since 2007, Habitat for Humanity of Southern Santa Barbara County (Habitat) has built 19 new homes in three (3) affordable housing developments in the County, which have provided affordable housing options for 70 County residents, including children. Habitat indicates it can build cost effectively by combining volunteer labor, donations of money, national partnerships, community support, and sweat equity. Habitat homeownership provides family and children with long-term stability, avoiding annual rent increases, frequent moves to new neighborhoods and schools and a sense of dignity and pride. Prospective Habitat Homeowners are selected based on five criteria:

- 1) Total family income between 40% and 80% of the area median income (AMI). This is equal to about \$32,080 to \$67,350 a year for a family of four;

- 2) Families currently live in substandard housing, which is defined as unsafe or overcrowded housing, transitional housing, or paying over 50% of the family income on rent;
- 3) Families have the ability to make monthly mortgage payments designed to fit within 35% of the family's income;
- 4) Families are legal residents of the U.S. and have lived or worked in Southern Santa Barbara County for the past year;
- 5) Each adult in the family is willing to partner with Habitat by completing 250 sweat equity hours and participating in the 16-month Homeownership Readiness Curriculum.

Habitat homeowners purchase their homes from Habitat at a price set according to their ability pay, using 35% of their gross income as available for housing payments, including principal payments on a first mortgage, taxes, insurance and homeowner association (HOA) fees, if applicable. Habitat provides the first mortgage on the homes and does not charge interest; therefore, each dollar paid by a family on its mortgage loan builds homeowner equity (assuming stable or increasing property values for the market area over time).

The In-Lieu funds will be used toward the construction costs of the homes (see Table 1). The Housing Trust Fund of Santa Barbara County’s (HTF) loan of \$700,000 will be repaid after construction from excess construction funding sources and pledges from individual and foundation donors.

Table 1

Construction Costs		Sources of Funds		Construction	Sources of Funds	Repay HTF Loan
Land	\$300,000	Housing Trust Fund SBC		\$700,000	Excess from constr sources	\$50,111
Off Site/Soft Costs/Fees	451,822	County Funds		300,000	Pledges confirmed	68,000
Site Work	141,850	Habitat Cash on Hand		113,275	Pledges (corp, foundations, etc.)	194,250
Vertical Construction	854,684	Pledges confirmed		200,000	Pledges (Individuals)	387,639
Appliances	1,000	In-Kind/Volunteer Credit		205,206		\$700,000
	\$1,749,356	Spent to-date		280,986		
				\$1,799,467		
		<i>Excess to HTF repayment</i>		\$50,111		

This project was presented to the County’s Capital Loan Committee on February 16, 2017. Quorum was met with five of the six voting members in attendance. There was unanimous vote to recommend \$300,000 to Habitat for the Carpinteria project.

Performance Measure:

Habitat will construct and sell the three homes to eligible homebuyers and will record both a County Affordable Housing Covenant (in first lien position) and its own form of an affordability restrictive covenant on the homes assuring long-term affordability. The County Affordable Housing Covenant and Habitat covenant will each have an initial term of ninety (90) years. The County’s Affordable Housing Covenant will terminate, and not be renewed, at the end of this ninety (90) years term. However, upon every resale of the unit during the term of the Habitat covenant, Habitat will record a new restrictive

covenant that re-starts the 90-year term, effectively ensuring the homes as affordable units in perpetuity. Habitat will monitor the resales of the homes during the County and subsequent Habitat affordability periods.

Contract Renewals and Performance Outcomes:

NA

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			
Fees			
Other: In-Lieu Funds			\$ 300,000.00
Total	\$ -	\$ -	\$ 300,000.00

The Inclusionary Housing Ordinance (IHO) in-lieu fee funds were collected by the County from developers who paid the fees in lieu of constructing affordable housing units as required under the County’s IHO. Funds are available in the In Lieu Fee Fund Balance.

Key Contract Risks:

If the construction and sale of the homes are not completed within three (3) years, Habitat will be in default of the County grant and will be required to repay the funds to the County.

Staffing Impacts:

The current requested activity falls within currently budgeted staff duties. Monitoring of any resales of the units will be conducted by Habitat.

Special Instructions:

Please provide the following to Laurie Baker

1. Copy of Minute Order by email to lbaker@co.santa-barbara.ca.us
 2. One original, with original signatures, of the County Grant Documents (Attachments A, B and C).
- Call for pick up ext. 3521

Attachments:

A: County Grant Agreement

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B: Interim Covenant

C: Affordable Housing Covenant

D: CEQA NOE