



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.: 057
For Agenda Of: March 6, 2012
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Herman Parker, Community Services Director (805) 568-2467
Director(s)
Contact Info: Sharon Friedrichsen, Deputy Director (805) 568-3520
SUBJECT: Santa Rita Village HOME Investment Partnership Program (HOME) Loan Agreement (Fourth District);

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Approve and authorize the Chair of the Board of Supervisors to execute a Loan Agreement in the amount of \$1,578,132 and 55 year HOME Regulatory Agreement with Santa Rita Village, L.P. for the Santa Rita Village project;
- B. Find that the Board has considered the environmental effects of Santa Rita Village Project set forth in the Mitigated Negative Declaration (MND) that was prepared by the City of Lompoc for the Santa Rita Village Project, Notice of Determination, and that the MND is adequate for the project; and
- C. Authorize the Director of Community Services Department or his/her designee to execute a Subordination Agreement for this project in a form approved by County Counsel, for a permanent financing loan by California Community Reinvestment Corporation (CCRC) at the completion of construction.

Summary Text:

The County of Santa Barbara is the lead agency in the Santa Barbara County HOME Consortium and receives annual program funds from the U.S. Department of Housing and Urban Development (HUD) under the HOME Investment Partnerships Act (HOME) for the purpose of expanding the supply of affordable housing. The Santa Rita Village project has received a reservation of HOME funding totaling

Auditor-Controller Concurrence

As to form: Yes

\$1,578,132. The recommended action by the Board of Supervisors will commit the funding through a Loan Agreement and Regulatory Agreement, which govern the loan terms and ongoing 55 year affordability restrictions respectively for the purposes of the land acquisition of the property.

The proposed loan is in the form of a 55-year deferred 3.0% simple interest loan to be used for the land acquisition of the Project. The County HOME loan will be subordinate and in fourth position to a Construction Loan held by Rabobank, a loan with the Housing Authority of the County of Santa Barbara (HACSB) and the City of Lompoc Redevelopment Agency Loan. The proposed regulatory agreement (Attachment B) restricts 11 units in the project to very low income households for a period of 55 years.

Background:

Located in the City of Lompoc at 815 West Ocean Avenue, the Santa Rita Village Project is a phased mixed-use project that involves new construction of Thirty-Six (36) units of multi-family rental housing complex affordable to low and very low income households along with a community center, laundry facility, park and children's playground, which will be constructed in Phase 1 of the Project. There are a total of Fifty-Five (55) units in the project which includes 16 one-bedroom units, 22 two-bedroom units 13 three-bedroom units, and 4 four bedroom units. The total project cost is \$15,377, 456. HOME funds will pay for land acquisition as well as for the 11 affordable units, which will be located in Phase 1 of the project. The project team includes Surf Development Company, a non-profit affiliate of the Housing Authority of the County of Santa Barbara, as the Managing General Partner, and the Housing Authority of the County of Santa Barbara, as the Administrative General Partner.

The project received an initial funding reservation from the City of Lompoc ("City") HOME allocation under an Action Plan amendment approved by the Board of Supervisors on August 10, 2010 in the amount of \$500,000. The project received subsequent funding reservations from the City and the County HOME allocations under the 2011 Action Plan, approved by the Board on May 12, 2011. Since that time, HUD notified the County of a reduction in the HOME program grant allocation, and the project funding reservation was reduced accordingly. On August 9, 2011, the Board of Supervisors approved the Amendment to the 2011 Action Plan and in addition, approved an additional HOME funding reservation in the amount of \$1,078,132. An Action Plan represents the County's formal federal grant application to HUD for each program year; outlines the proposed use of funds to further the federal and local affordable housing and community development goals and objectives; and is an annual update to the Consolidated Plan, a HUD mandated 5-year strategic planning documents. The City is a member of the HOME Consortium and receives an annual allocation of HOME funding to reserve for projects. The County, as the lead agency, prepares required loan and regulatory agreements for the use of HOME on behalf of the County and the City. On January 18, 2011, the Santa Barbara County Capital Loan Committee met and discussed the use of state tax credits, which impacts the overall cost of a project, including a higher cost per unit than projects without tax credits. The Committee ultimately recommended that the Board commit \$1,578,132 in County and City HOME funds to Santa Rita Village L.P. for the Santa Rita Village Project.

The project received an award of 9% tax credits from the California Tax Credit Allocation committee (TCAC) in September 2011. Tax credits are used to leverage private capital into new construction or acquisition and rehabilitation of affordable housing, and are competitive and determined by the development costs of a project. Per TCAC's 180-day readiness regulation, the project must commence construction by March 26, 2012. The TCAC places a restrictive covenant of Fifty-Five (55) years on affordable housing projects it finances.

Environmental review requirements under the National Environmental Policy Act (NEPA) have been met, and an Authority to Use Grant Funds was submitted to HUD on January 12, 2012. HUD has 30 days to respond to the request. The City of Lompoc completed a Mitigated Negative Declaration (MND) on the project on August 11, 2009 and found that the project would not have a significant impact on the environment with the implementation of mitigated measures. The project is fully entitled and ready to pull permits. Construction is expected to begin in March 2012 with estimated occupancy expected in the Summer of 2013.

Performance Measure:

Per HUD's requirements, Community Services Department (CSD) requires submission of annual reports and financial statements that include occupancy reports, rent rolls, property conditions and other management reports as well as completing monitoring requirements. HUD requires an affordability period of 20 years for new construction projects funded by HOME.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

Ten percent of all HOME program funds received are retained by County CSD for administration of the HOME program, including preparation and execution of the subject agreements. If affordability restrictions on the property are eliminated before a 20 year HUD required affordability period, the County could be subject to repayment obligations to HUD. The receipt of tax credits requires an affordability period of 55 years.

Staffing Impacts:

N/A

Special Instructions:

- Execute three (3) original copies of each of Attachments A and B and contact Margo Wagner at ext. 3529 to pick up two (2) original copies of each.
- Provide a copy of the minute order reflecting Board Action

Attachments:

- A) Santa Rita Village Loan Agreement
- B) Santa Rita Village Regulatory Agreement
- C) Mitigated Negative Declaration

Authored by:

Margo Wagner, Housing Program Specialist II

CC:

John Polanskey, Housing Authority of the County of Santa Barbara
Dinah Lockhart, City of Lompoc