

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: 12/2/04
Department Name: Housing and Comm. Dev.
Department No.: 055
Agenda Date: 12/14/04
Placement: Departmental
Estimate Time: 15 minutes
Continued Item:
If Yes, date from:

TO: Board of Supervisors

FROM: Ed Moses, Director
Housing and Community Development

STAFF CONTACT: Patricia Gabel
ext. 3522

SUBJECT: Recapitalization of Housing Finance Loan Portfolio

Recommendation(s):

That the Board of Supervisors:

- 1) Approve Housing and Community Development Department's (HCD) negotiated loan of \$1.1 million dollars from South Coast Community Federal Credit Union to be collateralized solely by the \$3.2 million of its total loan portfolio, comprised of \$1.259 million Housing Rehabilitation (HR) and \$1.929 million Down Payment Assistance (DPA) programs loans, to be used by HCD to "write-down" the cost of housing in the private market place to attainable levels for low-income and workforce families who live and work in the County of Santa Barbara.
- 2) Execute the Loan Agreement in the total amount of \$1,100,000 attached to this Board letter.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goals No. 7, Strengthen the Safety and Well-Being of Children and Their Families to Ensure a Strong Future for our Community, and Goal No. 5, Maintain and Enhance the Quality of Life for all Residents.

Executive Summary and Discussion:

On January 5, 2004 the Board approved Housing and Community Development Department's (HCD) and the Auditor Controller's office request to pursue negotiations and explore conditions of a potential Portfolio Recapitalization loan which would provide capital to develop new affordable housing opportunities. The recapitalized loan would be negotiated in the following order with:

South Coast Community Federal Credit Union	5.625%, 12 year, \$1.1 million loan
Community Reinvestment Fund, Inc.(CRF)	6%, 15 year, \$1.1 million loan

With Board direction, HCD and Auditor Controller staff worked with South Coast Community Federal Credit Union which culminated in the successful negotiation of a 5.625%, 12 year, \$1.1 million loan reflected in the attached loan document. It should be noted that one of HCD's loan conditions was that the General Fund was not needed to secure this loan transaction. Because of the proposed loan's unique nature, which makes it extremely difficult to analyze under the County's current debt review standards, the Debt Advisory Committee referred HCD's re-capitalization loan request to your Board.

Repayment

This loan would obligate the County to make 144 minimum monthly payments of \$10,522 over the term of the loan. This liability will be paid from the repayment proceeds of our \$3.421 million loan portfolio used to secure this transaction. During the 2003 Calendar Year repayment proceeds for HCD's entire loan portfolio has averaged \$35,000 per month. We strongly believe that this performance will continue throughout the proposed loan term. In fact, CRF used our portfolio historical performance as an underlying basis in making its underwriting decision to enter into this transaction.

Mandates and Service Levels:

There will be no changes in service levels.

Fiscal and Facilities Impacts:

There are no fiscal impacts. The funds to be re-capitalized are program income funds from HOME and CDBG funds. The administrative costs are removed as part of the loan. United States Department of Housing and Urban Development's: (I) HOME Investment Partnerships Program (HOME); 24CFR92.206(d) (2) and (6), and (II) the State Community Development Block Grant Program (State CDBG) sponsored under Title 25 HCD, Division 1, Chapter 7 Subchapter 2, Article 2, Section 7068; and HUD's 24CFR570.504(b) (2) (i) and (ii) sets the amount of administrative costs allowed. The Department will retain 7.5% of the loan amount for administrative expenditures.

Special Instructions:

Please call extension 3520 to pick up one original Loan Agreement for execution by Credit Union as per their requirements. The original promissory note must be picked up for deposit in our vault.

Concurrence:

Auditor-Controller
County Counsel
County Administrator