



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.: 057
For Agenda Of: July 11, 2023
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department George Chapjian, (805) 568-2467
Director(s)
Contact Info: Laurie Baker, Housing and Grants Manager, (805) 568-3521
SUBJECT: Approval and execution of Polo Village Apartments Affordable Housing Development (“Project”) County Loan Documents and Subordination Agreement, 3rd Supervisorial District

County Counsel Concurrence

As to form: Yes

Other Concurrence:

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Approve and Authorize the Chair of the Board to execute, where applicable: a \$1,250,000 HOME Loan Agreement (Attachment A), Deed of Trust (Attachment B), and Regulatory Agreement (County Loan Documents) (Attachment C), pursuant to the Project located 560 McMurray Road, in the City of Buellton; and
- b) Approve and Authorize the Chair of the Board to execute a Subordination Agreement, subordinating the County HOME Loan to a first priority position Project Loan by Banner Bank (Attachment E); and
- c) Approve and Authorize the Chair of the Board to execute a Subordination Agreement, subordinating a City of Buellton Project loan to the County HOME Loan (Attachment F); and
- d) Find that the Project is exempt from CEQA pursuant to City of Buellton issuance of a June 30, 2022 Final Development Plan Approval (22-FDP-01), (Attachment G), as Section 21080 of the Public Resources Code exempts from the application of CEQA those projects under which public agencies exercise only ministerial authority. This in accordance with Senate Bill (SB) 35.

Summary Text:

The requested BOS action would implement the County's \$1,250,000 contribution toward an affordable housing development in Buellton, utilizing federal HOME funds. Buellton is part of the County's HOME consortium, which funds eligible uses for the unincorporated county, Solvang, Goleta, Carpinteria, Lompoc and Santa Maria. The Polo Village housing development will provide 49 apartment units, of which 48 will be occupied by low-income households.

On November 7, 2022, Santa Barbara County’s Housing and Community Development Division (HCD) of the Community Services Department, issued its Annual Notice of Funding Availability (NOFA) for housing, capital, and public services programs. Pursuant to the NOFA, joint venture partners Palm Communities and the Housing Authority of the County of Santa Barbara applied for \$1,250,000 in County affordable housing funds for the Project. Subsequent to this, on February 16, 2023, Santa Barbara County’s Capital Loan Committee met and recommended allocating the full funding request amount to the Project.

At respective November 30, 2022, meetings of the California Debt Limit Allocation Committee (CDLAC), and Tax Credit Allocation Committee (TCAC), the Project received an allocation of 4% federal and state tax credits, and tax-exempt bonds to finance the development. The Project is currently undergoing due diligence for closing on the Project construction loan and related financing; the anticipated closing date is prior to July 28, 2023.

Today’s Board Action would authorize and approve the execution of the County Loan Documents and related subordination agreements. The County Promissory Note (Attachment D) will be secured by a recorded Deed of Trust executed by The Buellton Polo Village Partners Limited Partnership in favor of the County.

Background:

Polo Village is a new construction affordable housing development located on a 2.16-acre site, 560 McMurray Road, in the City of Buellton. The Project has an approved development plan issued by the City of Buellton, and all site control, development permits and related regulatory requirements attendant to “Project Readiness” are in place. The Housing Authority will provide property management services.

Polo Village will provide 49 housing units, of which 48 will be occupied by low-income households: 6 one-bedroom units, 30 two-bedroom units and 13 three-bedroom units. One of the three-bedroom units is reserved for the on-site property manager. Six units will be restricted by the County subject to the County Regulatory Agreement. Current unit rent limits are shown in the chart below.

	1-bdrm	2-bdrm	3-bdrm
30% AMI	\$786*	\$943*	\$1,089*
50% AMI	\$1,310	\$1,572*	\$1,816*
60% AMI	\$1,572	\$1,887	\$2,179

*There are six county-restricted units, one unit in each category except that there will be two 2-bedroom units at 50% AMI.

The Project will assist low-income veterans and families as well as homeless persons/households, and Project financing includes a Santa Barbara County Housing Authority commitment of 48 Project-Based Section 8 Vouchers.

The Polo Village Apartments design includes a community building, computer lab, meeting space, counseling and property management offices, as well as a tot-lot playground and a solid surface multisport ball court. Life skills classes will be offered to residents as well as after school programs for children.

With a projected 18-month construction schedule, the Project is projected to receive certificates of occupancy from the City of Buellton by February, 2025 and lease-up by the end of May 2025.

Total Project Development Costs are in the amount of \$35,101,568. Project Sources are listed below.

Limited Partner Capital Contributions	\$ 18,265,596
Permanent Commercial Loan	\$ 12,572,577
Deferred Developer Fee	\$ 2,620,427
County Funds	\$ 1,250,000
City of Buellton	\$ 341,491
<u>TCAC Performance Deposit Refund</u>	<u>\$ 51,477</u>
TOTAL	\$ 35,101,568

Performance Measure:

The Project will be monitored for compliance with the county loan terms and conditions for the twenty-year period of affordability, and the loan and required repayments will be monitored for the duration of the fifty-five year term of the loan. The County will charge \$2,500 annually to offset staff costs for monitoring. The State of California will monitor the Project for 55 years to ensure that all 48 units remain affordable. County Project monitoring will be conducted by County staff and will include an annual review of the property’s financial statements and roster of County-assisted units indicating the number and location of the County-assisted units and rents. At least every three years, a site visit will be conducted to inspect the units for compliance with HUD’s Housing Quality Standards (HQS), and tenant files will be reviewed for income, lease and rent requirements.

Fiscal and Facilities Impacts:

N/A

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			\$ 1,250,000.00
Fees			
Total	\$ -	\$ -	\$ 1,250,000.00

Key Contract Risks:

HCD has evaluated the risks associated with the Project and determined that such risks are reasonable and within industry standards, and safeguards are in place to prevent and/or mitigate risks. Projects that receive low-income housing tax credits are subject to ongoing financial and property compliance monitoring to meet the requirements of the federal Internal Revenue Service (IRS) tax codes. Investors risk losing tax credits for non-compliance; therefore, the Project has been fully vetted and underwritten by the tax credit

investor(s), as well as the construction and permanent lender, Banner Bank to ensure ongoing financial feasibility.

Staffing Impacts: N/A

Special Instructions:

1. Upon execution by all parties the Community Services Department will return a fully executed agreement to the Clerk of the Board for retention in the record
2. Please return one set of the executed original documents (except that there is only 1 original Promissory Note and HCD will accept a copy) and a copy of the Minute Order to Carlos Jimenez. Please email or call when ready for pick up: cjimenez@countyofsb.org.
3. Please retain one set of the executed original documents (including the original Promissory Note) listed below for COB records.

Attachments:

Attachment A: County Loan Agreement

Attachment B: County Deed of Trust

Attachment C: County Regulatory Agreement

Attachment D: County Promissory Note

Attachment E: Banner Bank Subordination Agreement

Attachment F: City of Buellton Loan, Subordination Agreement

Attachment G: City of Buellton Final Development Plan Approval (22-FDP-01)

Authored by:

Carlos Jimenez, Housing Program Specialist