



**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: Housing and Comm
Dev
Department No.: 055
For Agenda Of: 10/24/2006
Placement: Administrative
Estimate Time: None
Continued Item: NO
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Director(s) Ronald S. Cortez, Interim Director
Housing and Community Development Department
ext. 3400
Contact Info: Patricia Gabel, Housing Finance Division Manager
ext. 3522
SUBJECT: Award of HOME funds to Mountain House Licensed Residence for the Mentally Ill
(1st District)

County Counsel Concurrence:

As to form: Yes No N/A

Auditor-Controller Concurrence:

As to form: Yes No N/A

Other Concurrence: Risk Management

As to form: Yes No N/A

Recommended Action(s):

- That the Board of Supervisors:
- a. Approve the commitment of a \$400,000 loan in County HOME funding from the Santa Barbara County HOME Consortium to The Phoenix of Santa Barbara, Inc. (Phoenix) to provide permanent financing for an acquired and rehabilitated residential facility; and
 - b. Authorize the Interim Director of Housing and Community Development Department to execute a Loan Agreement (Attachment A) and a Regulatory Agreement (Attachment B) with The Phoenix of Santa Barbara, Inc., consistent with the terms and conditions detailed in this Board letter and its attachments.

Summary:

Phoenix requested a \$400,000 loan in County HOME funds awarded by the U. S. Department of Housing and Urban Development. The funding is to provide permanent financing for a state licensed facility (aka "Mountain House") for 14 chronically homeless, mentally ill adults. Mountain House is situated on a 2.8 acre site adjacent to Rocky Nook Park in the Santa Barbara Mission District. The proposed County loan will be in the form of a 3% interest, 30 - year term, deferred payment loan.

Background:

Phoenix is a mental health support services agency with an established history of providing services in the community for over 30 years. Phoenix owns and manages Phoenix House, a group home with “wrap around” services for mentally ill, formerly homeless persons. Mountain House was developed to expand the successful residential treatment program at Phoenix House.

This project will increase the supply of residential facilities available to chronically homeless, mentally ill individuals who are low and very low income. 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 04-05 budget.

Fiscal and Facilities Impacts:

Budgeted: Yes No

Fiscal Analysis:

The total project cost for the property acquisition and rehabilitation was \$2,143,679. Montecito Bank and Trust provided predevelopment and construction (mezzanine) financing. Bank of Santa Barbara is providing a permanent \$1.3 million loan at 6.5% for 15 years with rate adjustments in the sixth and tenth years to take out the mezzanine financing. Low Income Investment Fund provided \$42,782 and an additional \$400,897 was raised through donations and grantwriting. Lompoc Housing and Community Development Corporation and Frank Thompson Consultants were retained at various times in the development process to assist develop the project design and financing package for Mountain House. The Auditor/Controller’s office will review updated financials prior to the award of permanent loan funding.

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 that County staff conducted detailed underwriting including risk analysis for Mountain House.

The potential risk to the County if the project should fail is minimal. Because of the low acquisition price, and the County’s loan position, the County can easily recapture its funds in the event that the project fails. Staff has performed the due diligence in reviewing this loan prior recommending approval to the Affordable Loan Committee.

Staffing Impact(s):

Legal Positions:
0

FTEs:
0

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Special Instructions:

Execute three original Loan Agreements and one original Regulatory Agreement. Signature on the Regulatory Agreement must be notarized.

Retain one original Loan Agreement and a certified copy of the Regulatory Agreement. Call Miriam Gallardo at extension 3529 to pick up the two remaining original Loan Agreements and the original Regulatory Agreement.

Attachments:

2 original Loan Agreements

1 original Regulatory Agreement

Authored by:

Patricia Gabel

cc: