

**SANTA BARBARA COUNTY
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors
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Agenda Number:
Prepared on: November 5, 2003
Department Name: Housing and Community
Development
Department No.: 055
Agenda Date: November 25, 2003
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Edward Moses, Director
Housing and Community Development

STAFF CONTACT: Tim Wong
ext. 3523

SUBJECT: HOME Funding for K St. Apartments, Lompoc (4th District)

Recommendation(s):

That the Board of Supervisors:

- A. Approve the commitment of \$245,000 in County HOME funding to the Lompoc Housing Assistance Corporation (LHAC) for the acquisition and development of the K St. Apartments in Lompoc
- B. Authorize Housing and Community Development to execute a Loan Agreement and a Regulatory Agreement with the Lompoc Housing Assistance Corporation (LHAC) for the acquisition and development of this project, consistent with the terms and conditions detailed in this Board letter and its attachments

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 7. Strengthen the Safety and Well-Being of Children and Their Families to Ensure a Strong Future for our Community

Executive Summary and Discussion:

LHAC, the Lompoc Housing Market Area not-for-profit Community Housing Development Organization, has requested a loan of \$245,000.00 in County HOME funds to develop four 3-bedroom units and a child care facility. The bedroom units are approximately 1100 sq. ft. The project is located at 328 and 330 N. K Street in the City of Lompoc. The existing units on the property are dilapidated and will be demolished for the new development. There are no relocation or displacement issues.

Total property acquisition costs, including demolition and development costs, are \$1,035,908. In addition to the County HOME funding, the City of Lompoc will contribute \$218,365 of its HOME Consortium formula share. Also, the City of Lompoc an additional \$198,366 in CDBG funding. Other sources of funding include a \$368,177 first mortgage and a \$6,000 Proposition 10 grant. The loan agreement before your Board is for the total amount of HOME funding between the County and City totaling \$443,365.00 in the form of a 3%, 30 year, residual receipts loan. The residual receipts payments from this project will be divided between the County and City on a pro-rata basis. **It is Departmental policy that County funds be in the form of amortized loans. However, the loan terms for this project were negotiated prior to the formation of the Housing and Community Development and the adoption of this Policy.**

At this time, federal NEPA requirements for the K St. Apartment acquisition/construction project have been met, and other federal overlay requirements which come into play with acquisition and construction projects, including Uniform Relocation Act requirements, Housing Quality Standards, and lead based paint abatement, have been or can be accommodated prior to close of escrow on the County loan. Consequently, the project is at a stage of readiness appropriate for the County to move forward with its HOME funding commitment.

The Santa Barbara County Affordable Housing Loan Committee recommended approval to fund this HOME loan on September 16, 2003, subject to the following conditions, which are also incorporated into the attached loan agreement and related documents.

- That the County funding be in the form of a 3% interest, residual receipts, 30-year term loan,
- That the City of Lompoc provides CDBG and HOME funds for the project in the amount of \$416,731,
- That the County Loan be in third position, subordinate only to the existing first mortgage loan for the acquisition and City CDBG loan.
- An update Appraisal to be submitted prior to Board of Supervisor Loan approval.
- That the terms of the Regulatory Agreement governing this project be consistent with and enforcing all HOME requirements, including a minimum 30-year term of affordability.

Mandates and Service Levels:

No changes to programs or service levels.

Fiscal and Facilities Impacts:

This project will increase the supply of affordable housing for persons with mental illness in the Lompoc housing market area and insure its long term affordability. 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 03-04 budget.

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 the K Street Apartments.

The potential risk to the County if the project should fail is minimal. Because of the low acquisition price, rapidly appreciating value of the property 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.

Special Instructions:

None

Concurrence: