

# Pescadero Lofts

761 Camino Pescadero  
Isla Vista, California



# Recommendations

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## **That the Board of Supervisors of the County of Santa Barbara:**

- ▶ Authorize the Chair to execute the Purchase Agreement and Grant Deed between the County and Pescadero Lofts Isla Vista, L.P; and
- ▶ Authorize the Chair to execute the Land Loan Agreement with Pescadero Lofts Isla Vista, L.P., in the amount of \$2,900,000, with a 3% interest rate and residual receipts payments that are deferred until after construction; and
- ▶ Approve the Land Loan Promissory Note, Permanent Deed of Trust, and Notice of Affordability Restrictions; and
- ▶ Accept the Quitclaim Deed from the Housing Authority of the County of Santa Barbara terminating the Option Agreement between the County and the Housing Authority; and

# Recommendations Continued...

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- ▶ Authorize the Chair to execute the:
  - ▶ Amended HOME Loan Agreement,
  - ▶ Regulatory Agreement
  - ▶ Promissory Note
  - ▶ Deed of Trust
  - ▶ Notice of Affordability Restrictions; and
- ▶ Execute the attached Budget Revision in the amount of \$2,700,000 which reflects the inventory value of the purchase of the property; and
- ▶ After considering the previously certified Environmental Impact Report (EIR) for the Isla Vista Master Plan, determine that no subsequent EIR or Negative Declaration shall be prepared for this project.

# Background

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- ▶ **September 2010** - Former County of Santa Barbara Redevelopment Agency (Agency) purchased property for development of affordable housing
- ▶ **February 2012** - With the dissolution of the Agency, the County accepted property asset to continue affordable housing activity
- ▶ **May 2012** – Board approved a reservation of \$442,234 in HOME funds for Pescadero Lofts
- ▶ **March 2013** – Board approved transfer of the land title from the Agency to the County and executed Option Agreement with Housing Authority to purchase County land for \$2.9 million
- ▶ **June 2013** – Tax Credits awarded to project for \$3.7 million in cash
- ▶ **July 2013** – Board approved \$1.7 million residual receipts HOME loan for project

# Recommended Finance Conditions

## Previous Finance Conditions:

- ▶ Previous Buyer/Owner:
  - ▶ Housing Authority
- ▶ Previous Loan Terms:
  - ▶ Cash Sale

## Recommended Finance Conditions:

- ▶ New Buyer/Owner:
  - ▶ Pescadero Lofts Isla Vista LP (which includes the Housing Authority, Surf Development and investors)
- ▶ New Loan Terms:
  - ▶ 55 year Residual Receipt, 3% interest, payments deferred until project

# Risk Considerations of County Land Loan

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## ▶ **Residual Receipts Loan:**

- ▶ Payments to loan made from 50% of excess annual Revenue over annual Operating Expenses
- ▶ County reviews and approves Project Annual Financial Statement for Operating Expenses and Annual Revenue

## ▶ **Non-recourse Loan:**

- ▶ Pescadero Loft Isla Vista, L.P., and participating entities not personally liable for County Loan repayment
- ▶ County's lender remedies preserved in County Land Loan documents

## ▶ **Subordinated Loan:**

- ▶ County Land Loan and HOME Loan subordinate to Union Bank Loan

# Pescadero Lofts Construction Timeline

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## ▶ **Late Fall, 2013**

- ▶ Begin construction
- ▶ Must complete Property Purchase and all financing in place by December 9, 2013

## ▶ **Winter, 2014-15**

- ▶ Complete construction and open facility

# Pescadero Lofts Project Description

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## Pescadero Lofts

- ▶ 33 Affordable Residential Rental Units, includes one (1) Property Manager's unit
- ▶ Community Room and Meeting Rooms
- ▶ 68 Bicycle Storage Racks
- ▶ 34 Parking Spaces (2 Handicapped Accessible)
- ▶ Prospective Services – Budgeting and Financial Literacy Classes, ESL, Computer Lab and Life Skills Training



# Funding Sources

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## Pescadero Loft Project Financing Sources

### Permanent Financing Sources:

Low Income Housing Tax Credit Equity*	3,711,327
Union Bank Permanent Loan*	1,526,213
County Land Loan	2,900,000
County HOME Funds	1,642,234
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Total	<u><u>\$ 9,779,774</u></u>

\*Determined at time of closing

# Future Considerations

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## **Before Close of Escrow:**

- ▶ Amend Project Conditions of Approval (COA's) to permit a Property Manager household up to 120% Area Median Income and include revision to both County Land Loan and HOME Loan Regulatory Agreements
- ▶ Subordination of County Land Loan and HOME Loan to Union Bank Construction Loan
- ▶ HOME Loan to be amended to include development soft costs. No change to loan amount.

## **Prior to Project Completion:**

- ▶ California Tax Credit Regulatory Agreement to be recorded on property and County Land Loan and HOME Loan regulatory agreements subordinated

# In Summary

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## That the Board of Supervisors of the County of Santa Barbara:

- A. Contingent upon approval of Recommended Action (D), below, approve and authorize the Chair to execute the Purchase Agreement and Grant Deed between the County, as Seller, and Pescadero Lofts Isla Vista, L.P., as Buyer, for the County-owned real property located at 761 Camino Pescadero in Isla Vista located in District 3, to be financed by, and subject to approval of, the \$2,900,000 residual receipts Loan Agreement; and
- B. Contingent upon approval of Recommended Action (D), below, approve and authorize the Chair to execute the County Land Loan Agreement with Pescadero Lofts Isla Vista, L.P., in the amount of \$2,900,000, with a three percent simple interest rate and residual receipts payments that are deferred until after completion of construction and to execute the County Land Loan Regulatory Agreement, which exclusively restricts the use of the property to affordable rental housing for a period of 55 years; and
- C. Contingent upon approval of Recommended Action (D), approve the County Land Loan Promissory Note, the Land Loan Deed of Trust, the County Land Loan Deed of Trust, and the County Land Loan Notice of Affordability Restriction on Transfer of Property; and
- D. Contingent upon approve of the Purchase Agreement, the County Land Loan Agreement, and the County Land Loan Regulatory Agreement, the County Land Loan Promissory Note and the County Land Loan Deed of Trust with Pescadero Lofts Isla Vista, L.P., accept the Quitclaim Deed referenced in the letter from the Housing Authority of the County of Santa Barbara, by authorizing the Clerk of the Board to execute the Certificate of Acceptance, thereby terminating the Option Agreement between the County and the Housing Authority, that was approved and executed on March 5, 2013, for the purchase of real property located at 761 Camino Pescadero, in Isla Vista; and

# In Summary Continued...

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## **That the Board of Supervisors of the County of Santa Barbara:**

- E. Approve and authorize the Chair to execute the Amended County HOME Loan Agreement and HOME Loan Regulatory Agreement; and
- F. Approve the Amended HOME Loan Promissory Note, and HOME Loan Deed of Trust, and the HOME Loan Notice of Affordability Restrictions on Transfer of Property; and
- G. Approve and execute the attached Budget Revision in the amount of \$2,700,000 which reflects the inventory value of the purchase of the property; and
- H. After considering the previously certified Environmental Impact Report (EIR) for the Isla Vista Master Plan (03-EIR-08), determine pursuant to Public Resources Code sections 21090(b) and 21166 and CEQA Guideline sections 15162 and 15168 that, as reflected in the CEQA findings in Attachment H to this Board Letter, no subsequent EIR or Negative Declaration shall be prepared for this project.