



**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: HCD
Department No.: 055
For Agenda Of: 3/17/2009
Placement: Administrative
Estimate Time: N/A
Continued Item: NO
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Director(s) John Torell, Director, HCD
Contact Info: Christa Coski, 568-3526

SUBJECT: Quail Meadows Resale Restrictive Covenant

County Counsel Concurrence:

As to form: Yes No N/A

Auditor-Controller Concurrence:

As to form: Yes No N/A

Other Concurrence: N/A

As to form: Yes No N/A

Recommended Action(s):

That the Board of Supervisors:

- Authorize the Housing and Community Development Department Director to replace existing ownership restrictive covenants in the Quail Meadows Project with rental restrictive covenants upon the request of unit owners. (Attachment A, replacement rental covenant)

Summary:

The HCD affordable housing inventory presently includes nine units in the Quail Meadows development in Santa Maria subject to resale restrictive covenants dating back to 1992. Allowing these units to be converted to price restricted rental, rather than ownership housing will help satisfy the need for affordable rental housing in the County, keep affordable units occupied and assist existing owners in complying with County requirements.

Background:

Quail Meadows contains 96 condominium units, nine of which are ‘affordable for-sale units’ which can only be purchased by income qualified households. Two of these units are currently on the market.

Various factors make it extremely difficult for existing owners of affordable for-sale units to sell their units to income qualified applicants. The Quail Meadows Project overall has a very high non-owner occupancy ratio (74% approx), meaning that approximately 74 percent of the market rate and ownership units combined are occupied as rental units. That percentage makes it extremely difficult for prospective purchasers to

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obtain financing with a low down payment. Lending guidelines typically require a 51% or less non-owner occupancy ratio for a low down-payment transaction. The 20% down payment requirement all but eliminates these units from the reach of almost all individuals who would affordable housing program income restrictions.

The relative affordability of unrestricted housing units in the North County also make it very difficult to find purchasers for income restricted units. When market rate units are de facto affordable to low and moderate income households, it is difficult to find purchasers for units that carry with them long term price controls. Although this issue has become exacerbated in the current housing downturn, it existed prior to that as well.

A further problem that the County has experienced in relation to for-sale low income units is an inability of low and very low income households to afford the maintenance costs associated with homeownership. The affordable units in this project are restricted to low and lower moderate income housing (affordable to households at 80% and 100% of moderate income).

Two of the Quail Meadow affordable units are currently on the market but the owner has been unable to find income qualified households to purchase them. The price at which the owner is seeking to sell the units is actually below the restricted price under the covenant, but he is unable to find qualified buyers because of the issues outlined above. The owner would therefore like to convert the units to rental units so that he can sell them subject to the requirement that they be rented for affordable rental rates.

The purpose of HCD’s requested action is to allow the existing owners of these nine ‘ownership’ units to convert them to price restricted rental housing for the remainder of the term of their existing covenants (13 years). This would be achieved by replacing the existing ownership covenants with new rental covenants for the remainder of the existing covenant term. Only those owners who request the replacement would participate. Owners could keep their existing covenants if they chose to do so.

Fiscal and Facilities Impacts:

Budgeted: Yes No

Fiscal Analysis:

Staffing Impact(s):

Legal Positions:

FTEs:

Special Instructions:

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Attachments:

Attachment A: Form Rental Restrictive Covenant

Authored by:

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cc: Michael Brown, County Executive Officer
Mary McMaster, Deputy County Counsel