



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:** 5/10/16  
**Placement:** Administrative  
**Estimated Time:**  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors  
**FROM:** Department George Chapjian, Community Services Director, 568-2467  
Director(s)  
Contact Info: Dinah Lockhart, Deputy Director, 568-3523  
Lucy Graham, Housing Program Specialist Sr., 568-3521  
**SUBJECT:** Santa Maria Senior Apartments – Supervisorial District 5  
Reservation of HOME and/or In-Lieu funds

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Risk Management**

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

- a) Approve a preliminary reservation of County funds for the Santa Maria Senior Apartments project that will (a) be in an amount not to exceed \$580,000; (b) consist of HOME funds and/or In-Lieu Funds in specific amounts to be determined by the Board at a later date; and (c) be released if People's Self Help Housing Corporation does not receive notification of an award of state low-income housing tax credits for the project by October 31, 2016;
- b) Authorize the Director of Community Services Department to sign a letter to the project applicant indicating the approved reservation (Attachment A);
- c) Determine that the approval of the reservation is not the approval of a project that is subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15378(b)(4), finding that the actions are not a project as they are the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant impact on the environment, and direct staff to file a Notice of Exemption (Attachment B).

**Summary Text:**

People’s Self Help Housing Corporation (PSHHC) is requesting a reservation of County funds toward the development costs of Santa Maria Senior Apartments (Project), which is a housing complex for low-income senior individuals, located in the City of Santa Maria, directly south of 624 East Camino Colegio, in Supervisorial District 5. Staff recommends a reservation of funds not to exceed \$580,000 in County HOME and/or In-Lieu funds.

A “reservation” is an understanding between the County and the applicant that a certain amount of funds will be earmarked for a specific project for a specific time period. Generally, a reservation is made to demonstrate the County’s support for a project while the applicant continues the process of securing all necessary funding for the project. As part of the review process, HCD staff and the County’s Capital Loan Committee establish milestones and a performance timetable for each project recommended for a reservation of funds. Where a reservation of funds is recommended for a high priority project that involves the applicant securing complex and/or multiple funding sources, an additional level of review by the Committee is required.

PSHHC plans to apply to the California Tax Credit Allocation Committee (CTCAC) for an allocation of low-income housing tax credits (LIHTC) in June 2016, which will complete the financing needed for the project to go forward.

PSHHC’s reservation application for the proposed Project was considered by two review committees prior to being submitted to the Board for consideration. An internal County committee consisting of Division of Housing and Community Development (HCD) staff, Auditor/Controller’s Office representative, Community Services Department (CSD) fiscal staff, and the CSD director reviewed the project. Staff then convened the County’s Capital Loan Committee (Committee) on April 6, 2016 to review the Project’s request for funding and financial information. The Committee supported the recommended funding reservation, in the amount of \$580,000.

Notification of an award of LIHTC is expected by September 2016 for the June application round. If awarded, HCD staff will resubmit the Project to the Capital Loan Committee and the Board of Supervisors for the approval of Project funding, the final amount, whether the funds will be from the County’s HOME fund and/or In Lieu fund, and the financing terms contained in the loan documents and regulatory agreement.

**Background:**

*Housing Development Funds.* The County is the lead entity of the HOME Consortium, which consists of the County and the cities of Buellton, Solvang, Goleta and Carpinteria. (The cities of Lompoc and Santa Maria withdrew from participation in the HOME Consortium, effective July 1, 2016.) The County is the lead entity of the HOME Consortium and accountable to HUD for the use of HOME funds.

The United States Congress appropriates funds for the HOME program annually, which is allocated to the County by the U.S. Department of Housing and Urban Development (HUD). Projects that receive awards from federal funds (CDBG, HOME, and ESG) are included in the County’s annual Action Plan,

or in an amendment to the Annual Action Plan, that is submitted to HUD. Annual Action Plans and amendments are approved by the Board prior to submission to HUD.

The HOME and In-Lieu funds may be used for grants and loans for eligible uses under their respective program requirements. HOME Program regulations allow a grantee to invest HOME funds in eligible projects within its boundaries, or in jointly funded projects within the boundaries of a contiguous local jurisdiction which serve residents from both jurisdictions; for a project to be jointly funded, both jurisdictions must make a financial contribution to the project. The City of Santa Maria has met this requirement by committing a portion of its Community Development Block Grant (CDBG) funds to the project. The City also earmarked its FY 2015-16 County HOME distributions to the project.

*Santa Maria Senior Apartments (Project).* The Santa Maria Senior Apartments project is an affordable rental housing complex proposed in the City of Santa Maria, directly south of 624 East Camino Colegio. It will provide forty (40) one- and two-bedroom units of rental housing for low-income senior individuals and families.

PSHHC submitted an application to County HCD for funding in the amount of \$1,250,000 for the Project and is seeking a letter of reservation of funds to be included with the project’s application to CTCAC in the June 2016 funding round.

The following chart shows the projected total development costs and sources of funds included in the Project application. The City of Santa Maria has committed a portion of its CDBG allocation as well as all of its HOME-Consortium suballocation from FY 2015-16 when the City was still a member of the County HOME Consortium. Due to the amount of County funds available and other proposed developments requesting County funds, HCD staff is recommending a lesser amount of County funds than PSHHC requested in the project application. PSHHC will seek other sources of funds to fill the resulting financing gap and will submit a revised list of funding sources to HCD for review and underwriting before a final commitment of County funds.

Development Costs		Funding Sources	
Total Development Costs	\$11,488,987	City of Santa Maria CDBG	\$151,631
		City of SM HOME suballocation	\$199,107
		SB County Loan	\$580,000
		Other funding source (TBD)	\$670,000
		NW Grant	\$275,000
		Tranche A Loan	\$1,033,612
		Tax Credit Equity	\$8,528,637
		Deferred Developer Fee	\$50,000
			<u>\$11,488,987</u>

HCD staff presented the Project to the County’s Capital Loan Committee on April 6, 2016. The Committee supported staff’s recommendation that the Board of Supervisors approve a funding reservation of \$580,000 in County HOME and/or in-lieu funds. Staff also recommends the reservation be effective until October 31, 2016. If the project is not notified of a LIHTC award by this date, then the

County will not go forward with a formal commitment of County funds and execution of loan documents.

If approved by the Board, PSHHC will be provided a letter from the County (Attachment A) to include with their application for LIHTC and/or other financing. HCD staff will return to the Capital Loan Committee and Board with a recommendation for the commitment of County funds to the Project and execution of County Loan Agreement and associated documents. The amount of funds from HOME and/or In-Lieu will be determined at that time, based on the amount of LIHTC awarded to the project, HOME commitment deadlines, and best uses of available County funds. If HOME funds are committed to the Project, an amendment to the County's annual Action Plan will accompany the Board Letter, will be subject to a 30-day public comment period, and will be submitted to HUD upon approval.

**Performance Measure:**

The funding reservation will be effective through October 31, 2016. If the Project is later provided a final award of County HOME and/or In-Lieu funds, the Project will produce 40 units of affordable rental housing in Santa Barbara County. The units will be monitored for continued affordability by the County for a minimum of twenty years.

**Fiscal and Facilities Impacts:**

Not Applicable

**Fiscal Analysis:**

The County has available HOME and In-Lieu funds in an amount sufficient to fund this project at the recommended amount when it is later considered by the Board for a final funding award. HCD staff may recommend that a certain portion of HOME funds (if used) be allocated to cover staff costs incurred to monitor the construction of the project. In addition, the County will charge the owner of the project an annual monitoring fee of \$2,500 to off-set staff costs to monitor the housing units for regulatory compliance, and cover costs for loan monitoring and servicing.

**Key Contract Risks:**

Not Applicable

**Staffing Impacts:**

The activity falls within currently budgeted staff duties.

**Special Instructions:**

Please return a copy of the Minute Order to Lucy Graham at [lucygraham@co.santa-barbara.ca.us](mailto:lucygraham@co.santa-barbara.ca.us)

**Attachments:**

- Attachment A - Notification Letter of Reservation of Funds
- Attachment B - CEQA Notice of Exemption