

**SANTA BARBARA COUNTY
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors
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Agenda Number:
Prepared on: July 25, 2006
Department Name: Housing and Community
Development
Department No.: 055
Agenda Date: August 8, 2006
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Ron Cortez, Interim Director
Housing and Community Development

STAFF CONTACT: Patricia Gabel
ext. 3522

SUBJECT: Subordination of existing HOME loan for College Park Apartments (4th District)

Recommendation(s):

That the Board of Supervisors:

- A. Approve the subordination of the County's existing \$2,085,466 loan to the Montecito Bank and Trust loan for the College Part project (Attachment A);
- B. Approve an amendment to the existing County loan to correct the construction start date; and
- C. Authorize the Interim Director of Housing and Community Development to execute the subordination agreements, consistent with the terms and conditions detailed in this Board letter.

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:

Lompoc Housing and Community Development Corporation (LHCDC) received a \$2,085,466 County loan for the development of the College Park Apartments, formerly known as the G & College Apartments, project in January 2006. The source of the funds for the County loan was federal HOME money. There are no general fund dollars included in the loan. LHCDC has secured additional construction financing from the National Equity Fund for a loan of \$1,056,000 to fund the additional costs necessary for the construction of the project. As a condition of the construction loan, the existing County loan would need to be subordinate to the construction loan. This subordination agreement is temporary during the construction of the project.

When the construction is completed, the permanent financing of the project will payoff the construction loan, thus removing the need for the subordination agreement.

The College Park Apartments is a 35 unit, new construction, rental apartment complex. The project will include 11 two-bedroom, 14 three-bedroom, and 10 four-bedroom apartments along with an on-site childcare facility and community center. The project is being funded by multiple funding sources including federal tax credit equity, federal Affordable Housing Program funds, state Multifamily Housing Program funds and a deferred developer fee.

Since the project has been slightly delayed because the timeframe needed to secure the construction financing was longer than anticipated, the County loan agreement must be amended for the construction start and completion dates. In Article 4.2 of the Agreement states that the Borrower (LHCDC) shall commence construction of the property by March 1, 2006. LHCDC expects to commence construction by September 1, 2006. In order to avoid defaulting on the loan, the construction date will be amended to commence construction by November, 2006. Although the borrower expects to be completed with construction in 14 months, the end of construction date will be amended to February 28, 2008 to provide some additional protection against default.

Mandates and Service Levels:

No changes to programs or service levels. No requirement for the Board to act.

Fiscal and Facilities Impacts:

This project will increase the supply of affordable housing for household in the North County and insure its long term affordability.

The potential risk to the County subordinating the loan is minimal. There are no general fund dollars at risk. Because of the low acquisition price, appreciating value of the property and short term of the construction loan, the County should be able 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:

Auditor-Controller
County Executive Office

Prepared by Tim Wong.