



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
Department No.: 057
For Agenda Of: March 6, 2012
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Herman Parker, Community Services Director (805) 568-2467
Director(s)
Contact Info: Sharon Friedrichsen, Deputy Director, (805) 568-3520
SUBJECT: Cypress Court HOME Investment Partnership Program (HOME) Loan Agreement (Fourth District)

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Approve and authorize the Chair of the Board of Supervisors to execute a Loan Agreement in the amount of \$500,000 and a 55 year HOME Regulatory Agreement with Lompoc Pacific Associates, a California limited partnership, for the Cypress Court Project;
- B. Find that the Board has considered the environmental effects of the Cypress Court Project set forth in the Mitigated Negative Declaration (MND) that was prepared by the City of Lompoc for the Cypress Court Project and that the MND is adequate for the project; and
- C. Authorize the Director of the Community Services Department or his/her designee to execute Subordination Agreements for this project, in a form approved by County Counsel, for the construction loan, and upon the completion of construction, a permanent financing loan.

Summary Text:

The County of Santa Barbara is the lead agency in the Santa Barbara County HOME Consortium and receives annual program funds from the U.S. Department of Housing and Urban Development (HUD) under the HOME Investment Partnerships Act (HOME) for the purpose of expanding the supply of affordable housing. The Cypress Court Project, a 60-unit senior rental housing project located within

Auditor-Controller Concurrence

As to form: Yes

the City of Lompoc, received a reservation of City of Lompoc HOME funding totaling \$500,000. The recommended action by the Board of Supervisors will commit the funding through a Loan Agreement and a Regulatory Agreement, which govern the loan terms and affordability restrictions respectively for construction and financing costs of the project.

The proposed Loan Agreement (Attachment A) for \$500,000 to Lompoc Pacific Associates, a California limited partnership, an affiliate of the Santa Barbara County Housing Authority, is in the form of a 55-year deferred, 3.0% simple interest loan. The County will be in third position on the loan, subordinate to the Construction Loan held by Rabobank, and the City of Lompoc Redevelopment Agency Loan. The proposed regulatory agreement (Attachment B) restricts 11 units in the project to very low-income households for a period of 55 years.

Background:

Located in the City of Lompoc at 1420 East Ocean Avenue, the Cypress Court Project is a phased mixed-use project that involves new construction of 54 one-bedroom units and 6 two-bedroom affordable housing units for low and very low-income seniors. The total project cost is \$12,621,055. HOME funds will pay for project development costs as well as for the 11 affordable units. A market study prepared in June 2010 found a significant unmet demand for affordable senior housing. The development is designed to emphasize community areas including a central garden area, a gathering space with a kitchen and social lounge, laundry room, exercise area, computer learning center, and a library. Lompoc Pacific Associates, the General Partner, has provided a 10-year commitment to provide a Service Coordinator on-site without cost to residents of Cypress Court. LifeSTEPS organization will provide case management, education, after school programs, senior services, mediation, social and community participation programs, volunteer programs and resource information. The project team includes Surf Development Company, a non-profit affiliate of the Housing Authority of the County of Santa Barbara, as the Managing General Partner and Lompoc Pacific Associates, as the General Partner.

On May 18, 2010, the City of Lompoc (“City”) approved a \$500,000 HOME reservation for this project, using reprogrammed HOME funds from prior years. The Board of Supervisors approved the funding for this project as part of the Amendments to the 2006-2010 Annual Action Plan on August 10, 2010. An Action Plan represents the County’s formal federal grant application to HUD for each program year; outlines the proposed use of funds to further the federal and local affordable housing and community development goals and objectives; and is an annual update to the Consolidated Plan, a HUD mandated 5-year strategic planning document. The City is a member of the HOME Consortium and receives an annual allocation of HOME funding to reserve for projects. The County, as the lead agency, prepares required loan and regulatory agreements for the use of HOME on behalf of the City. On January 18, 2011, the Santa Barbara County Capital Loan Committee recommended that the Board commit \$500,000 in City HOME funds to Lompoc Pacific Associates, a California Limited Partnership for the Cypress Court Project.

This project received an award of 9% tax credits from the California Tax Credit Allocation committee (TCAC) in September 2011. Tax credits are used to leverage private capital into new construction or acquisition and rehabilitation of affordable housing, and are competitive and determined by the development costs of a project. Per TCAC’s 180-day readiness regulation, the project must commence construction by March 26, 2012. The TCAC places a restrictive covenant of 55 years on affordable housing projects it finances.

Environmental review requirements under the National Environmental Policy Act (NEPA) have been met, and the City of Lompoc completed a Mitigated Negative Declaration (MND) on the project on July

18, 2008 and found that the project would not have a significant impact on the environment with the implementation of mitigated measures. The project is fully entitled and ready to pull permits. Construction is expected to begin in March 2012 and occupancy is expected to begin in the Summer of 2013.

Performance Measure:

Per HUD's requirements, Community Services Department (CSD) requires the submission of annual reports and financial statements that include occupancy reports, rent rolls, property conditions and other management reports to ensure site compliance with these regulations. Staff is responsible for the collection and review of reports as well as completing monitoring requirements. HUD requires an affordability period of 20 years for new construction projects funded by HOME.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

Ten percent of all HOME program funds received are retained by County CSD for administration of the HOME program, including preparation and execution of the subject agreements. If affordability restrictions on the property are eliminated before a 20-year HUD required affordability period, the County could be subject to repayment obligations to HUD. The receipt of tax credits requires an affordability period of 55 years.

Staffing Impacts:

N/A

Special Instructions:

- Execute three (3) original copies of each of Attachments A and B and contact Margo Wagner at ext. 3529 to pick up two (2) original copies of each.
- Provide a copy of the minute order reflecting Board Action

Attachments:

- A) Cypress Court Loan Agreement
- B) Cypress Court Regulatory Agreement
- C) Mitigated Negative Declaration

Authored by:

Margo Wagner, Housing Program Specialist II

CC:

John Polanskey, Housing Authority of the County of Santa Barbara
Dinah Lockhart, City of Lompoc