



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: Housing & Com Dev.
Department No.: 055
For Agenda Of: 8/9/2011
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Sharon Friedrichsen, Interim Director, 568-2068
Director
Contact Info: Brooke Welch, 568-3521

SUBJECT: Casa de Familia HOME Loan Agreement (Fifth Supervisorial District)

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Approve the final commitment of \$2,033,415 in HOME Investment Partnerships Program (HOME) funds to Good Samaritan Shelter for development of the Casa de Familia Project providing 16 affordable rental units in Santa Maria (Fifth District).
- B. Approve and authorize the Chair of the Board of Supervisors to execute a Loan Agreement in the amount of \$2,283,415 (Attachment A) and HOME Regulatory Agreement (Attachment B).
- C. Find that the previous negative declaration that has been approved for the project (Attachment C) is adequate and no changes have occurred which would require further environmental review under CEQA Guideline section 15162.

Summary:

The Casa de Familia project involves new construction of a 16-unit affordable rental complex in Santa Maria by Good Samaritan Shelter (Good Sam) for households transitioning out of homelessness. Good Sam is a County-certified Community Housing Development Organization (CHDO) under the HOME Consortium, which is a private nonprofit, community-based service organization that has among its goals the provision of affordable housing for the community it serves. Both the City of Santa Maria and the County have committed an aggregate of \$2,283,415 in federal HOME funds to this project.

The U.S. Department of Housing and Urban Development (HUD) provides HOME funds to the Santa Barbara County HOME Consortium (HOME Consortium) for the purpose of expanding the supply of

affordable housing. As the lead agency in the HOME Consortium, the County is responsible for preparing the loan documents on behalf of both the County and the City.

The allocations of County and City of Santa Maria HOME funds are consolidated into one Loan Agreement, which is in the form of a 50-year deferred, 3% simple interest, residual receipts loan. The County loan will be in second position, subordinate only to a Pacific Western Bank loan in the amount of \$950,000¹. The project is governed by a HOME Regulatory Agreement (Attachment B), which enforces all HOME requirements, including a 20-year affordability period during which the project must meet the HUD HOME affordability requirements. Under HOME rules, if the project fails to provide affordable housing for a 20 year term, the County may be liable to repay HUD for the amount of HOME funds invested in the project.

If the Board chooses not approve the County loan, the project will not move forward and the funds must be reprogrammed to another eligible project for immediate expenditure or risk recapture of funding by HUD for non-expenditure.

Background:

Project Description and Sponsor:

Casa de Familia involves new construction of a 16-unit affordable rental complex for households transitioning out of homelessness. The 16,672 square foot structure will be constructed on a site owned by the sponsoring organization, Good Sam, located at 403 West Morrison Avenue in the City of Santa Maria. The residential units will consist of one studio, four one-bedroom units, eight two-bedroom units, and three three-bedroom units. The project will provide permanent supportive housing for formerly homeless households with a wrap-around service model, and will meet a vital need that is identified in the Santa Barbara County Ten-Year Plan to End Chronic Homelessness (10-Year Plan), as well as the County's 2010-2015 Consolidated Plan.

As mentioned, Good Sam is a County-certified Community Housing Development Organization (CHDO) under the HOME Consortium. Good Sam has extensive experience providing shelter and supportive services to homeless persons throughout northern Santa Barbara County, and Casa de Familia represents the organization's first venture into development and management of permanent housing. Recognizing this, the organization has retained the Housing Authority of the County of Santa Barbara (Housing Authority) to provide development and consulting services throughout development of the project and the first year of occupancy, although Good Sam will serve as the project owner and manager. The Housing Authority has extensive experience in federal programs, including the HOME program, regulatory compliance, and housing development and management. Through their contract with Good Sam, the Housing Authority has thus far assisted in development of the project management and marketing plans, drafting of the bid packet to comply with federal requirements, and finalization of the pro forma and project financials. County staff will work closely with Housing Authority and Good Sam staff throughout the development period to ensure all federal requirements are met and the project is constructed in accordance with the schedule of construction incorporated into the Loan Agreement.

Project Budget and HOME Funding:

The total project cost is \$2,918,237, which includes \$2,283,415 in HOME funds. Of the \$2,283,415 in HOME funds, \$1,191,415 is from Santa Maria HOME funds and \$1,092,000 is from County HOME funds.

¹ Pacific Western Bank (formerly Los Padres Bank) provided a \$950,000, 30-year deferred loan on the property in 2006.

The funding amounts cited above include two prior loans made by the City in 2006 (\$200,000) and the County in 2008 (\$50,000) under the HOME Consortium for predevelopment costs associated with the project. On May 15, 2007, the Board of Supervisors approved a reservation of HOME funds in the amount of \$500,000 for the development of the Casa de Familia project. The project received two subsequent reservations of HOME funds in 2009 and 2010, which were approved by the Board on July 14, 2009 and May 25, 2010, respectively.

On May 24, 2011, the Capital Loan Committee (formerly Affordable Housing Loan Committee) met and recommended final commitment of HOME funds to the project. The Capital Loan Committee also recommended to County staff that the following safeguards be in place at the time of loan execution: (1) An appraisal reflecting post-construction value of the project be conducted and reviewed by the County prior to disbursement of funds; and (2) A construction draw down process be in place for HOME funds. These recommendations have been memorialized in the Loan Agreement in Sections 3.1 D and 3.2.

Other sources of construction financing include Community Development Block Grant (CDBG) funds provided through the City of Santa Maria, and Supportive Housing Program (SHP) funds provided through HUD, which will also provide ongoing funding for supportive services that will be offered on-site to all residents. In addition, the Housing Authority has agreed to work closely with Good Sam to apply for Project-Based Vouchers provided through HUD when construction is completed, which would provide additional operating revenue to the project in the form of rental subsidies.

Environmental Compliance:

The project has fulfilled all obligations under the National Environmental Policy Act (NEPA). County staff submitted the required NEPA documentation to HUD and received the authority to use HOME program funds on March 27, 2011. In terms of CEQA compliance, A Negative Declaration (ND) (E-98-45) was adopted by the City of Santa Maria for a larger development on the applicant's property which included this project (PD-2006-015), and is included as Attachment C to this report. The potential environmental impacts of this project were evaluated in the negative declaration and mitigation measures for these impacts were incorporated into the Conditions of Approval for the project by the City of Santa Maria.

CEQA Section 15162 allows the use of a previously adopted EIR or negative declaration unless substantial evidence would require major revisions of the previous EIR or negative declaration due to substantial changes in the proposed project because of: 1) new significant environmental effects or a substantial increase in the severity of previously identified significant effects; 2) substantial changes to the circumstances under which the project is undertaken due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects; or 3) new information of substantial importance. Section 15162 of the State CEQA Guidelines is applicable to this project as it was studied in the previous negative declaration and no new significant environmental effects would occur, previously identified environmental effects will not increase in severity, and no new information of substantial importance will require revisions to that negative declaration.

Performance Measure:

Performance during construction will be measured against the schedule of construction that is incorporated into the Loan Agreement as Exhibit G. A construction inspector will oversee construction

progress on the County's behalf during the development period. Ongoing performance of the project under the Regulatory Agreement and HOME Program will be monitored by County staff over the 20-year affordability period. Monitoring includes on-site visits, unit inspections, tenant file reviews, and review of records documenting compliance with County agreements and HOME Program requirements.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State			
Federal			\$ 2,283,415.00
Fees			
Other:			
Total	\$ -	\$ -	\$ 2,283,415.00

Staffing Impacts:

N/A

Special Instructions:

- Execute three (3) original copies of the HOME Loan Agreement and two (2) original copies of the HOME Regulatory Agreement (signature must be notarized for the Regulatory Agreement) and contact Brooke Welch (x3521) to pick up two (2) copies of the Loan Agreement and one (1) copy the Regulatory Agreement.
- Please provide a minute order reflecting Board action on this item.

Attachments:

Attachment A: Loan Agreement

Attachment B: Regulatory Agreement

Attachment C: Negative Declaration previously adopted by the City of Santa Maria

Authored by:

Brooke Welch, Senior Housing Program Specialist

CC: