



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: February 8, 2022
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department George Chapjian, Director CSD (805) 568-2467
Director:
Contact Info: Dinah Lockhart, Deputy Director, HCD (805) 568-3523
Laurie Baker, Program Manager (805) 568-3521

SUBJECT: **Approval and Execution of a Subordination Agreement, subordinating a County of Santa Barbara, as successor agency to the former County of Santa Barbara Redevelopment Agency, loan to a cash-out refinancing loan to Timothy John Werner and Richard Paul Gilman, Trustee of the Richard Paul Gilman 2017 Family Trust, for the Paradise Ivy, LLC Plaza Lofts**

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board:

- A. Authorize the Chair of the Board to execute a subordination agreement that subordinates a \$717,000 loan by the County of Santa Barbara, as successor agency to the former County of Santa Barbara Redevelopment Agency, to a cash-out refinancing loan by American Riviera Bank, in the amount of \$9,900,000 for a multi-family residential property at 901 Embarcadero del Mar, Goleta (Isla Vista), APN: 075-112-016 (Attachment A); and
- B. Determine that the above-recommended action is not 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 project is a 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 physical impact on the environment.

Summary Text:

Paradise Ivy, LLC's Plaza Lofts Apartments is located at 901 Embarcadero Del Mar in the Community of Isla Vista in unincorporated Santa Barbara County (Property). The Property has 24 studio and loft apartments, a parking lot, and retail tenants. The owners of the Property, Richard Gilman and Tim Werner (Owners) are requesting that the County subordinate the \$717,000 loan by the County of Santa Barbara, as successor agency to the former County of Santa Barbara Redevelopment Agency, to a cash-out refinancing loan by American Riviera Bank, in the amount of \$9,900,000. The American Riviera Bank loan will pay off the existing balance of the senior loan with Rabobank, N.A. and provide approximately \$2,000,000 in cash to the Owners. American Riviera Bank will require that its Deed of Trust be in a first lien position on title; therefore, it will require that the County subordinate the \$717,000 loan to the American Riviera Bank loan.

Background:

The former County of Santa Barbara Redevelopment Agency (RDA) provided a \$717,000 forgivable 55-year loan to Paradise Ivy, LLC, a California limited liability company, in 2009. A Deed of Trust secured the RDA loan and a 55-year Regulatory Agreement that requires that six of the 24 units shall be used to provide affordable housing to low-income families. The remaining units are market rate. The loan is forgivable "if the [six] Assisted Units have been operated in conformance with the Regulatory Agreement and the Owner Participation Agreement for 55 years from the date of occupancy of the Assisted Units...."

On June 4, 2013, the Board approved and authorized the Chair of the Board of Supervisors to execute a Subordination Agreement between the County and Rabobank, N.A., that subordinated the \$717,000 RDA loan to Paradise Ivy, LLC to Rabobank's new permanent financing loan to Paradise Ivy, LLC.

The new \$9,900,000 loan, combined with the \$717,000 RDA loan, amounts to approximately sixty-percent of the current appraised value of \$16,500,000 (60% LTV); therefore, the RDA loan, in addition to the American Riviera Bank loan, will be secured.

County staff considered the following options that the Board might want to consider:

1. Approval of the subordination agreement, which subordinates the \$717,000 RDA loan to the American Riviera Bank loan of \$9,900,000;
2. Take no action. The County could choose not to subordinate the \$717,000 RDA loan to a new bank loan. This will preserve the security of the RDA loan with the current value of the Property (appraised at \$16,500,000).
3. The County could agree to subordinate to a new bank loan in the amount of the current principal balance of the existing Rabobank loan (no cash out) plus loan and closing fees, as applicable, if the new loan results in more favorable terms and lower annual or monthly payments.
4. The County could request the repayment of the \$717,000 RDA loan in which case County's security interest in the Property would be reconveyed to the Owners. These loan proceeds could then be reinvested into other affordable housing developments. The 55-year Regulatory Agreement would remain on the Property.

Performance Measure:

The County’s Division of Housing and Community Development monitors compliance with the six affordable units annually. The property was last monitored in May/June of 2021, when staff confirmed the eligibility of five low income tenants of the six affordable units.

Contract Renewals and Performance Outcomes:

N/A

Fiscal and Facilities Impacts:

None

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			
Fees			
Other:			
Total	\$ -	\$ -	\$ -

None

Key Contract Risks:

The \$717,000 RDA loan would be secured by the Property on which American Riviera Banks’s first lien will be for a greater loan amount than existed before the refinance. Should the County exercise its foreclosure rights for non-compliance with the Regulatory Agreement, the County would have to pay off a higher first mortgage.

Staffing Impacts:

Legal Positions:

FTEs:

No increased staffing impacts. Current HCD staff monitors the Property for compliance annually.

Special Instructions:

Please have the Board Chair execute two (2) originals of the Subordination Agreement. Return a copy of the minute order and one original of the Subordination Agreement to Laurie Baker for recording in the County real estate records. Please call or email for pick up lbaker@countyofsb.org; (805) 568-3521. Retain one original in COB files.

Attachments:

Attachment A: American Riviera Bank Subordination Agreement