



**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: September 12, 2017
Placement: Departmental
Estimated Time: 15 mins.
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: From: George Chapjian, Community Services Director (805) 568-2467
Contact Info: Dinah Lockhart, Deputy Director, Division Housing and
Community Development (HCD) (805) 568-3523
Laurie Baker, Grants and Program Manager, HCD (805) 568-3521

SUBJECT: Public Hearing to consider public comments and staff recommendations on (1) HOME Loan for Property Acquisition and Rehabilitation in the amount of \$550,000, and (2) draft FY 2017-18 Action Plan Substantial Amendment

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 of Supervisors (Board):

- A. Receive and consider public comments on the draft FY 2017-18 Action Plan Substantial Amendment received during a 30-day public comment period, which commenced on August 13, 2017 and concludes at the end of the September 12, 2017 public hearing on this item;
- B. Approve FY 2017-18 Action Plan Substantial Amendment to be submitted to HUD that includes the provision of HOME funds to Good Sam to acquire and rehabilitate the Property (Attachment A);
- C. Approve and authorize the Chair of the Board to execute a County HOME Loan Agreement (Attachment B), HOME Promissory Note (Attachment C) and HOME Deed of Trust (Attachment D) with Good Sam that provides \$550,000 in HOME funds, of which \$520,000 will be used to acquire the Property and \$30,000 will be used toward the costs to rehabilitate the Property;
- D. Approve and authorize the Chair of the Board to execute a County Regulatory Agreement (Attachment E) that will restrict three (3) of the seven (7) bedrooms at the Property for low-income persons with annual incomes not to exceed 60% of area median income (AMI) and

restrict three (3) bedrooms for persons with annual incomes not to exceed 50% AMI for a period of fifteen and one-half (15.5) years;

- E. Approve and authorize the Chair of the Board to execute a Subordination Agreement (Attachment F) which Subordinates a City of Santa Maria loan to the County Loan Documents;
- F. Determine that the recommended actions are not the acceptance and 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 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, and direct staff to file a Notice of Exemption (Attachment G).

Summary Text:

Good Samaritan Shelter (Good Sam) is in escrow to purchase a 7-bedroom, single family residence located in the city of Santa Maria with plans to operate the residence as housing for low-income persons. The seller and current owner of the Property is Domestic Violence Solutions (DVS). The purchase agreement is contingent upon receipt of Santa Barbara County grant funds. It is HCD staff's recommendation that the County provide a HOME loan to Good Sam to acquire and rehabilitate the Property.

The County receives an annual allocation of HOME Investment Partnerships funds (HOME) from the U.S. Department of Housing and Urban Development (HUD) to be used to expand the supply of affordable housing to low income households. The use of HOME funds must be included in a County annual Action Plan and, if not included, then the Action Plan must be amended to include County HOME-funded projects. A Substantial Amendment to the FY 2017-18 Action Plan (Attachment A) has been prepared to include the acquisition and rehabilitation of the Property by Good Sam.

Background:

Good Samaritan Shelter has executed a purchase agreement to acquire property at 310 North School Street in Santa Maria and operate the building as residential treatment (transitional housing) for women and children. Tenant selection will include a preference for Veterans. The facility is a single family home that has been converted to a group home for communal living, consisting of 7 bedrooms and 4 bathrooms. A second structure contains two meeting rooms with a half bath.

The property is not occupied and has been vacant for several months. The facility is in good condition, with only minor rehabilitation required, and is ADA accessible. Minor rehabilitation includes replacing the exterior staircase, painting the inside and outside of the building, upgrading the landscape and installing new flooring.

A HOME Regulatory Agreement will be recorded in association with the HOME loan that will restrict six of the seven bedrooms. Three bedrooms will be restricted for households with incomes at or below 50% of the area median income (AMI) as published annually by HUD and three bedrooms will be restricted for households with income at or below 60% AMI. One bedroom is intended for use by a live-in manager. The current maximum annual income for a one-person household at 50% AMI is \$31,500 and for 60% AMI it is \$37,800. However, the actual income of clients is projected to be at or below 30% AMI, which for a one-person household is \$18,900.

The maximum rent permitted by HOME regulations for this type of project is 75% of the Fair Market Rent (FMR) for an efficiency unit as published annually by HUD for the Santa Barbara-Santa Maria Metropolitan Statistical Area (MSA). The most recent published FMR (2017) is \$1,131 for an efficiency unit; however, the actual rent paid by tenants will be lower and based on their ability to pay. Good Samaritan Shelter also will apply for government program funds to help cover the operating costs of the facility and tenant services. However, to assure that the property remains financially solvent, HCD staff recommends a zero-interest loan, forgiven in full in 15.5 years, provided that the Property remains in compliance with the HOME Regulatory Agreement. This Agreement shall commence on the date of recordation of this HOME Loan Regulatory Agreement and terminate fifteen (15) years and six (6) months after the date of project completion.

In 2005, the City of Santa Maria provided DVS with a loan of \$53,930. Good Sam has agreed to assume this loan. The City of Santa Maria and Good Sam have both agreed to subordinate the loan documents associated with this loan to the County HOME loan.

HCD staff convened the County's Capital Loan Committee on July 31, 2017 and the Committee concurred with HCD staff recommendations that \$550,000 in HOME funds be provided to Good Sam to purchase and rehabilitate the Property and that the funds be provided in the form of a loan, with a 0% interest rate, payments deferred, and the loan forgiven in full in 15.5 years. The 15-year compliance period is the minimum period required by HUD. Six months are added due to the regulatory term beginning when the project is closed out in the federal database, following rehab and occupancy.

Performance Measure:

The Property will be monitored at least every three years to assure continued compliance with the HOME Regulatory Agreement, specifically with regard to compliance with tenant income and rent limits, and property standards for the duration of the affordability period.

Contract Renewals and Performance Outcomes:

The program will allow both single women and women with children to be able to get residential treatment. Many of these women have a history of domestic violence and drug & alcohol addiction, and need a safe haven to rebuild their lives, start their journey of sobriety and to reunite with their children. Good Samaritan Shelter is estimating that approximately 10 women (and their children) will successfully complete the residential treatment program on an annual basis and will move into permanent housing.

Fiscal and Facilities Impacts:

The County has sufficient HOME funds to fund this project. The estimated cost to monitor this project is \$1,000 per year, which will be charged to Good Sam.

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	\$ 550,000.00		\$ 550,000.00
Fees (Good Sam)	\$ 1,000.00	\$ 1,000.00	
Other:			
Total	\$ 551,000.00	\$ 1,000.00	\$ 550,000.00

Key Contract Risks:

In the event of non-compliance with the HOME Regulatory Agreement, the County could be at risk of repayment of HOME funds to HUD from non-federal sources. HCD will conduct on-site monitoring of the Property at least every three years and will annually review the year-end financial statements of the Property and Good Sam, owner, to assure continued financial feasibility to operate the Property. The County’s loan will be secured by a Deed of Trust and the County will have the option to call the loan and/or foreclose if the Property is determined to be out of compliance with the HOME Regulatory Agreement. HCD staff has evaluated the risks associated with the Property and determined that such risks are within industry standards and that there are safeguards in place to prevent or mitigate risks.

Staffing Impacts:

Current HCD staff expects to monitor the Property for the HOME compliance period until approximately 2033.

Special Instructions:

Please provide one original, with wet signatures, of each document listed below to Matt Kropke ext. 3533 or Laurie Baker ext. 3521. Please call for pick up.

1. HOME Loan Regulatory Agreement
2. HOME Loan Agreement
3. HOME Loan Promissory Note
4. HOME Loan Deed of Trust
5. Santa Maria Subordination Agreement

Document numbers 1, 4, and 5 will be recorded in the County’s real estate records by the escrow company handling the closing of the sale of the Property. Please mark the copies to be retained in the COB’s records that those documents are not to be recorded. Thank you.

Attachments:

- ATT A: FY 2017-18 Action Plan Substantial Amendment
- ATT B: HOME Loan Agreement
- ATT C: HOME Loan Promissory Note

Public Hearing to consider public comments and staff recommendations on (1) HOME Loan for Property Acquisition and Rehabilitation and (2) draft FY 2017-18 Action Plan Substantial Amendment
Page 5 of 5

ATT D: HOME Loan Deed of Trust

ATT E: HOME Loan Regulatory Agreement

ATT F: City of Santa Maria Subordination Agreement

ATT G: CEQA NOE

Authored by: Matt Kropke

cc: Laurie Baker