



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: HCD
Department No.: 055
For Agenda Of: 1/23/2007
Placement: Administrative
Estimate Time: n/a
Continued Item: NO
If Yes, date from:
Vote Required: 4/5

TO: Board of Supervisors
FROM: Department Director(s) Ron Cortez, Deputy County Executive Officer, 568-2243
Contact Info: Jennifer Christensen, 568-3520

SUBJECT: Repayment of Collateralized Loan Fund Portfolio Loan

County Counsel Concurrence:

As to form: Yes No N/A

Auditor-Controller Concurrence:

As to form: Yes No N/A

Other Concurrence: N/A

As to form: Yes No N/A

Recommended Action(s):

That the Board of Supervisors approve the attached budget revision to account for the repayment of the Collateralized Loan Fund Portfolio Loan in the amount of \$964,033 to South Coast Community Federal Credit Union and close the fund.

Summary:

The Debt Advisory Committee on September 13, 2003, heard the Housing and Community Development Department's request to negotiate a loan of \$1 million to be collateralized solely by the \$3.2 million of its total loan portfolio to "write-down" the cost of housing in the private market place to attainable levels for low-income and workforce families who live and work in the County of Santa Barbara. The Board of Supervisors approved this request on December 13, 2004, and a \$1.1 million loan was obtained from the South Coast Community Federal Credit Union. No eligible projects have come forward to utilize these loan funds, and Housing and Community Development wishes to repay this loan and close the fund.

The proceeds were deposited in Fund 0067. Loan receipts from the pledged loans have been deposited in this fund and debt service payments of principal and interest will have been made through December 1, 2006 at the time of the scheduled Board meeting. The outstanding principal balance as of December 1, 2006 is \$964,033; however, the exact balance will be calculated at payoff.

Fund 0067 has a current balance of \$1,682,161 including loan receipts, loan payments and reserve designations. The balance remaining after payoff of the loan will be transferred to the funds where the

Repayment of **Collateralized Loan Fund Portfolio Loan**

1/23/2007

Page 2 of 3

receipts would have been booked if the underlying loans had not been pledged to provide security for the Collateralized Loan. Receipts from the pledged loans will be returned to Fund 0065, the Affordable Housing Trust Fund and Fund 0066, the HOME Program Fund, which are the original funds of collection. Fund 0065 receipts consist of payments received from Community Development Block Grant program rehabilitation loans, and Fund 0066 receipts are from rehabilitation loans, Homebuyers Assistance Program loans, and construction loans made through the HOME program. A budget revision accompanies this item to establish appropriate accounts to process the loan payoff.

Background:

On November 6, 2006, the Debt Advisory Committee approved Housing and Community Development Department's request to repay the Collateralized Loan Fund Portfolio Loan in the amount of \$981,875 to South Coast Community Federal Credit Union.

Housing and Community Development first approached the Debt Advisory Committee about a collateralized loan fund on September 15, 2003. At a meeting of the Board of Supervisors on December 2, 2004, the Board set a hearing to approve the Housing and Community Development's loan of \$1.1 million from South Coast Community Federal Credit Union.

At the time of the loan, Housing and Community Development's Finance Division had identified a project that would have been a good fit for the use of the loan funds. The Portfolio Recap funds were intended to be Hillside House mezzanine financing for 2-3 years to be paid back through the sale of the 48 homeownership units included in the overall plan. The Hillside House was a proposed County Attainable Housing project that would have been developed by the Housing Authority of the County of Santa Barbara (HCSB), Hillside House and the Bermant Development Company. In this case, repayment would occur as the homeownership units were sold. However, the project has changed significantly and is no longer a viable project for County financing.

The collateralized loan fund monies can only be used to fund projects with the ability to repay the loan in a relatively aggressive time frame. There are no other identified projects that would represent a good fit with the repayment requirements of the collateralized loan fund. The County has the ability to repay the collateralized loan at this time and retire the debt. We are currently paying interest on the loan without any prospects for tying the loan to development projects.

Staff recommends repayment of the loan at this time, because the costs associated with carrying the money would end. If projects arise in the future, this financing tool is available to the County. Since the County has some experience in structuring this kind of financing, the County would be able to do so in an expeditious manner in the future.

Fiscal and Facilities Impacts:

Budgeted: Yes No

Fiscal Analysis:

Narrative: Fund balance is sufficient to repay loan in full. Please see executive summary and budget revisions.

Repayment of Collateralized Loan Fund Portfolio Loan

1/23/2007

Page 3 of 3

Staffing Impact(s):

Legal Positions:

0

FTEs:

0

Special Instructions:

None.

Attachments:

Budget Revision Request

Authored by: Jennifer Christensen, Project Manager

cc: Bob Geis, Auditor-Controller
Bernice James, Treasurer-Tax Collector
Janet Wolf, Second District Supervisor
Michael F. Brown, County Executive Officer
Shane Stark, County Counsel
Mark Paul, Division Chief
John Jayasinghe, Administrative Analyst