



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.: 055
For Agenda Of: April 04, 2017
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department George Chapjian, Community Services Director (805) 568-2485
Director(s)
Contact Info: Dinah Lockhart, Deputy Director (805) 568-3523
Laurie Baker, Grants and Program Manager (805) 568-3521
Matt Kropke, Housing Program Specialist (805) 568-3513
SUBJECT: Approval and execution of County Loan Documents to provide \$300,000 in
Community Development Block Grant (CDBG) funds to Isla Vista Youth Projects,
Inc. for Building Acquisition (Supervisorial District 3)

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 grant of \$300,000 in CDBG funds to Isla Vista Youth Projects, Inc. for building acquisition and authorize the Chair of the Board of Supervisors to execute a County CDBG Loan Agreement (Attachment A), a County CDBG Loan Promissory Note (Attachment B), a County CDBG Loan Deed of Trust (Attachment C), and a County CDBG Loan Regulatory Agreement (Attachment D) (together, the County CDBG Loan Documents) between the County and Isla Vista Youth Projects, Inc.;
- B. Authorize the Chair of the Board of Supervisors to execute a Subordination Agreement (Attachment E), which subordinates a second mortgage line of credit from American Riviera Bank, in the amount of \$300,000 to the County CDBG Loan Documents; and
- C. Determine that the recommended actions are not the 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 actions are not a project as they are the 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 impact on the environment, and direct staff to file a Notice of Exemption (Attachment F).

Summary Text:

On 5/03/16, the Board of Supervisors approved the FY 2016-17 Action Plan for submission to HUD which included awards of federal funds - including CDBG funds - to subrecipient agencies to implement capital projects. Isla Vista Youth Projects (IVYP) was approved for an award of \$300,000 to acquire the Children's Center building at 6842 Phelps Road in Goleta that the program currently occupies. Staff is recommending that the Board approve County Loan Documents (Attachments A, B, C and D) to provide IVYP with a \$300,000 loan to complete the financing needed for the building acquisition. The County loan will be forgiven on April 4, 2022 (which is permitted under HUD regulations), providing the facility continues to be used for a CDBG eligible use for a five year period.

Background:

The County of Santa Barbara is the lead agency of the CDBG Urban County, which includes the County and the Cities of Buellton, Carpinteria and Solvang. Each year, the Urban County receives an allocation of CDBG funds from the U.S. Department of Housing and Urban Development (HUD). In November of 2015, HCD issued a Notice of Funding Availability (NOFA) to receive applications for FY 2016-17 CDBG funds. Capital Project applications were vetted by HCD staff and the Capital Loan Committee, and the Committee made funding recommendations for consideration by the Board. HCD then drafted the FY 2016-17 Action Plan that included the proposed projects for submission to the U.S. Department of Housing and Urban Development (HUD). On 04/19/16, the Board considered the funding recommendations and public comments, and subsequently on 5/03/16, the Board approved the final CDBG funding awards and the FY 2016-17 Action Plan for submission to HUD. The FY 2016-17 Action Plan submitted to HUD included a CDBG allocation of \$300,000 for the acquisition of the Children's Center building by IVYP.

IVYP provides comprehensive programs to children and families, serving primarily low-income households. The Children's Center building is used for several programs:

- A licensed full-day, year round early childcare and education center which serves over 125 infants/toddlers/preschoolers annually.
- A Family Resource Center which provides support services to over 1,000 community members annually.
- An After-School and Summer Enrichment Program on the campus of Isla Vista Elementary School.

In 2013, the Orfalea Fund and Hutton Parker Foundation offered to sell the Children's Center property to IVYP who had been paying rent on the facility for the past 9 years. The building was appraised at \$1,500,000, but was sold at a discounted price of \$1,200,000. As an interim step, IVYP secured a short-term loan proving time to launch a capital campaign to cover the cost of purchasing the property. IVYP successfully raised enough capital funds to pay the loan from American Riviera Bank down to a principal balance of \$300,000. The County funds will be used to complete the payoff of the loan. Acquiring full ownership of the building and paying off the existing first mortgage will provide IVYP with stability to continue to operate its programs for low-income families and the means to focus financial resources toward direct services to children and families.

The County will secure its loan by recording a first Deed of Trust on the property. IVYP will maintain a \$300,000 line of credit with American Riviera Bank, which will be subordinate to the County’s CDBG loan. The line of credit currently has a zero balance and IVYP uses it only as necessary. An appraisal of the property supports both the County loan and the American Riviera line of credit.

The County’s loan will be forgiven upon completion of a five-year compliance period, in accordance with the County Loan Regulatory Agreement (Attachment D). CDBG regulations require that real property acquired or improved in whole or in part with CDBG funds in excess of \$25,000 be used to meet a CDBG National Objective for five years. Table 1 shows the sources of funds being used to acquire the building.

Table 1

Sources of Funds

SB County CDBG	300,000
Private Foundations	318,500
Pre-campaign donations	200,000
Community gifts, parents, events	159,430
IVYP Board of Directors	100,500
Individual Donors	64,750
Small capital grants	28,978
Anonymous	15,000
IVYP staff	<u>13,400</u>
Total Acquisition Cost	\$1,200,558

Note: All of the additional sources of funds have been received by IVYP and the principle balance of the loan has been paid down to \$300,000 as evidenced by a loan verification letter from American Riviera Bank.

Performance Measure:

The IVYP Children’s Center building will be monitored annually by HCD staff to assure continued compliance with the County CDBG Loan Regulatory Agreement.

Contract Renewals and Performance Outcomes:

NA

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

Funding Sources	Current FY Cost:	Annualized On-going Cost:	Total One-Time Project Cost
General Fund			
State			
Federal			\$ 300,000.00
Fees			
Other			
Total	\$ -	\$ -	\$ 300,000.00

Narrative:

The Federal CDBG funds are from the FY 2016-17 allocation from HUD. County general funds are used for a portion of HCD administrative expenses; however, no County general funds are being used to fund the approved project.

Key Contract Risks:

In accordance with CDBG regulations IVYP may not change the use of the property for five years unless the new use of such property qualifies as meeting one of the CDBG national objectives and an opportunity for public comment is provided. If IVYP does not meet the five year use period they will be in default of the County loan and will be required to repay the funds to the County.

Staffing Impacts:

The current requested activity falls within currently budgeted staff duties. HCD staff will monitor the use of the building annually for a period of 5 years to assure continued compliance with the County CDBG Loan Regulatory Agreement.

Special Instructions:

Please provide the following to Matt Kropke

1. Copy of Minute Order by email to mkropke@co.santa-barbara.ca.us
2. One original, with original signatures, of the County Loan Documents (Attachments A, B, C and D). Call for pick up ext. 3513

Attachments:

- ATT A: County Loan Agreement
- ATT B: County Loan Promissory Note
- ATT C: County Loan Deed of Trust
- ATT D: County Loan Regulatory Agreement
- ATT E: American Riviera Subordination Agreement
- ATT F: CEQA NOE

Authored By:

Matt Kropke