



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: July 21, 2015
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from: N/A
Vote Required: Majority

TO: Board of Supervisors
FROM: Department George Chapjian, Community Services Director (805) 568-2467
Director
Contact Info: Dinah Lockhart, Deputy Director (805) 568-3523
Laurie Baker, Grants and Program Manager (805) 568-3521
SUBJECT: **Approve an Assignment and Assumption Agreement between the City of Lompoc, Good Samaritan Shelter, Inc., and the County to transfer a \$112,587 County loan on The Marks House, a transitional housing shelter, and related recorded documents to Good Samaritan Shelter, Inc. (Districts 4)**

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 and Authorize the Chair of the Board of Supervisors to execute an Assignment and Assumption Agreement between the City of Lompoc, Good Samaritan Shelter, Inc., and the County (Attachment A) that grants approval for the transfer of real property known as The Marks House, a transitional housing shelter in Lompoc, from the City of Lompoc to Good Samaritan Shelter, Inc., and transfers the following instruments and the rights and obligations therein to Good Samaritan Shelter:
 - i. A Loan Agreement recorded against The Marks House as Instrument No. 97-067400 that provides for a loan in the amount of \$112,587 (the "Loan") and certain use restrictions;
 - ii. A Promissory Note that serves as evidence of the Loan; and
 - iii. A Deed of Trust recorded against The Marks House as Instrument No. 97-067403 that secures the Promissory Note; and
 - iv. A Declaration of Covenants, Conditions and Restrictions recorded against The Marks House as Instrument No. 97-067399 that places certain use restrictions on the property.

- b) Determine that the approval of the Assignment and Assumption Agreement between the City of Lompoc, the Good Samaritan Shelter, Inc. and the County is not the approval of a project subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(4), finding that the action is not a project as it is the creation of a government funding mechanism or other government fiscal activity, which does 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 the Notice of Exemption. (Attachment B).

Summary Text:

In November 1997, the County made a \$112,587 loan (the “Loan”) on real property, known as The Marks House, located at 203 North N Street in the City of Lompoc. The Loan is evidenced by a Promissory Note and secured by a Deed of Trust. A Loan Agreement and a Declaration of Covenants, Conditions and Restrictions, Imposed on Real Property (“HOME Regulatory Agreement”) are also recorded against The Marks House; these documents require that The Marks House be operated for a period of no less than thirty (30) years from the Date of Initial Occupancy in conformance with HOME regulations at 24 CFR 92, and that the property be used to house very low income people (at or below 50% of the Area Median Income). Collectively, the Promissory Note, Deed of Trust, Loan Agreement, and the HOME Regulatory Agreement shall be referred to as the “Loan Documents.” The Loan Agreement and the Promissory Note require the County’s approval before any transfer of The Marks House.

The City of Lompoc (“City”) acquired the property on January 18, 2012 via deed in lieu of foreclosure from the now defunct Lompoc Housing Community Development Corporation (“LHCDC”). The Marks House currently serves as a transitional housing facility for formerly homeless persons and has been operated by Good Samaritan Shelter, Inc. (“Good Sam”) pursuant to interim agreements with the City since 2012. The City plans to transfer ownership of The Marks House to Good Sam, and Good Sam will assume the County’s Loan Documents.

It is recommended that the Board approve and execute the Assignment and Assumption Agreement between the City of Lompoc (“City”), Good Sam, and the County (Attachment A), which will approve the transfer of The Marks House from the City to Good Sam and transfer the County’s Loan Documents to Good Sam.

Background:

In November 1997 the County of Santa Barbara loaned the Lompoc Housing Assistance Corporation (LHAC) \$112,587 (\$82,587 in HOME funds and \$30,000 of In-Lieu Affordable Housing funds) for pre-development and acquisition of 203 North N Street in Lompoc, known as The Marks House, in order to provide affordable housing for very low income persons, with a priority for homeless persons. This loan was made pursuant to a Loan Agreement that requires that The Marks House be operated for a period of no less than thirty (30) years from the Date of Initial Occupancy as housing for very low income people—at or below 50% of the Area Median Income— (“HOME Use Restrictions”) and is secured by a Deed of Trust, both of which have been recorded against The Marks House. In accordance with the Loan Agreement, the HOME Regulatory Agreement was also recorded against The Marks House in order to secure performance of the HOME Use Restrictions.

In January 2012, the City of Lompoc (the “City”) recorded a deed-in-lieu of foreclosure, which transferred ownership of the property from Lompoc Housing Community Development Corporation (formerly LHAC) to the City. At that time, Good Sam took over the operation of The Marks House as a shelter and continues to operate the shelter today.

In June 2015 the Lompoc City Council voted to approve the transfer of The Marks House to Good Sam provided that Good Sam executes a regulatory agreement to maintain the use of The Marks House property as a low income family transitional shelter for a 30-year term. Good Sam has expressed an interest in acquiring The Marks House from the City of Lompoc and is willing to assume all rights, responsibilities, and obligations associated with the property, including assuming the County’s affordability and use restrictions and the County’s \$112,587 loan.

The Board’s execution of the Assignment and Assumption (Attachment A) agreement is necessary for the ownership transfer. Specifically, the agreement will approve the transfer of The Marks House from the City to Good Sam and transfer the County’s Loan Documents to Good Sam.

Fiscal and Facilities Impacts:

The Housing and Community Development (HCD) Division staff of the Community Services Department will continue to service the loan and monitor the property for compliance with federal HOME regulations.

Key Contract Risks:

When the County loaned LHAC \$82,587 in HOME funds (as part of the overall \$112,587 loan), the County also recorded the Loan Agreement and HOME Regulatory Agreement that required LHAC to maintain The Marks House as housing for very low income people (at or below 50% of the Area Median Income) until November 4, 2027; the minimum compliance period required by HUD terminates on July 8, 2016. When LHACDC (AKA: LHAC) terminated operation, Good Sam assumed the operation of The Marks House pursuant to agreements with the City of Lompoc. Per HOME regulations, if the building is no longer used for the purpose designated by the Loan Agreement and HOME Regulatory Agreement for the minimum affordability period set by HUD, which ends July 8, 2016, the County could be required to repay the U.S. Department of Housing and Urban Development (HUD) those HOME funds. HCD staff will continue to monitor The Marks House to ensure compliance with the HOME requirements through July 8, 2016 and with the County affordability and use restrictions until 2027.

The City of Lompoc loaned \$85,000 in federal funds for The Marks House that carries the same restrictions. The City would be responsible for repaying those funds to HUD if Marks House were no longer in compliance with its affordability and use restrictions. At the time of property transfer, the City of Lompoc will impose new restrictions to ensure that the property will continue to serve the same target population for 30 years from the date of transfer.

In addition, in 2012 the City used \$50,000 in Urban County Partnership Community Development Block Grant (CDBG) funds for lead based paint abatement at The Marks House. CDBG regulations require that The Marks House continue as a shelter for very low income people until June of 2019, or the County, as the lead agency of the Urban County Partnership, risks having to repay the funds to HUD. In the event of repayment to HUD, the County could explore such options as seeking indemnification from the City. HCD staff will monitor compliance with the CDBG requirements also.

Special Instructions:

- Execute four (4) original copies of Attachment A and leave at COB front desk for pick up. Call Phil Willis-Conger (extension 3549) when ready for pick up.
- Provide a copy of the minute order reflecting Board Action to PWillis-Conger@co.santa-barbara.ca.us.

Attachments:

- A) Assignment and Assumption Agreement for The Marks House
- B) CEQA Notice of Exemption