

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:
Prepared on: October 16, 2003
Department Name: Housing and Community
Development
Department No.: 055
Agenda Date: October 28, 2003
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Edward Moses, Director
Housing and Community Development

STAFF CONTACT: Tim Wong
ext. 3523

SUBJECT: HOME Funding for Gianni Apartments, Lompoc

Recommendation(s):

That the Board of Supervisors:

- A. Approve the commitment of \$400,000 in County HOME and HOME Program Income funding from the County HOME Consortium to the Lompoc Housing Assistance Corporation (LHAC) for the acquisition and rehabilitation of the Gianni Apartments in Lompoc
- B. Authorize Housing and Community Development to execute a Loan Agreement and a Regulatory Agreement with the Lompoc Housing Assistance Corporation (LHAC) for the acquisition and rehabilitation of this project, consistent with the terms and conditions detailed in this Board letter and its attachments

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 5.A High Quality of Life for All Residents.

Executive Summary and Discussion:

LHAC, the Lompoc Housing Market Area not-for-profit Community Housing Development Organization, has requested a loan of \$400,000 in County HOME funds to rehabilitate 22 apartments for persons with mental illness and incomes up to 60% of the County's median income. The project consists of 8 one bedroom/one bathroom units and 14 studio units and is located at 733 G Street in the City of Lompoc. The units are currently in average condition and quality. The scope of the rehabilitation work is primarily cosmetic and fixture upgrades; there are no relocation or displacement issues.

LHAC began managing the property in April 2003 and is currently in the process of purchasing the site, completion of which is pending additional funding. There is a Resident Manager currently in place, and a Tenant Case Manager hired by LHAC. The property is slowly transitioning from market rate paying tenants to the target population. In addition to the benefit of affordable housing, tenants will receive on and off site services from County Mental Health staff including counseling, vocational, and independent living skills training.

The project has already received a \$1,108,878 first mortgage and a \$400,000 McKinney grant towards the total project cost of \$1,908,878, which includes the acquisition of the site. Rehabilitation costs for the 22 units come to \$54,770. The total cost per unit is \$86,767. The loan is in the form of a 3%, 30 year residual receipts loan. **It is Departmental policy that County funds be in the form of amortized loans. However, the loan terms for this project were negotiated prior to the formation of the Housing and Community Development and the adoption of this Policy.**

At this time, federal NEPA requirements for the Gianni Apartment acquisition/rehabilitation project have been met, and other federal overlay requirements which come into play with acquisition and rehabilitation projects, including Uniform Relocation Act requirements, Housing Quality Standards, and lead based paint abatement, have been or can be accommodated prior to close of escrow on the County loan. Consequently, the project is at a stage of readiness appropriate for the County to move forward with its HOME funding commitment.

The Santa Barbara County Affordable Housing Loan Committee recommended approval to fund this HOME loan on September 16, 2003, subject to the following conditions, which are also incorporated into the attached loan agreement and related documents.

- That the County funding be in the form of a 3% interest, residual receipts, 30-year term loan,
- That the County loan be in second position, subordinate only to the first mortgage loan,
- That the terms of the Regulatory Agreement governing this project be consistent with and enforcing all HOME requirements, including a minimum 30-year term of affordability.

Mandates and Service Levels:

No changes to programs or service levels.

Fiscal and Facilities Impacts:

This project will increase the supply of affordable housing for persons with mental illness in the Lompoc housing market area and insure its long term affordability. County administrative activities related to project development are eligible for reimbursement by the HOME program under the 10% set aside for administration activities. This proposed action allocates for specific use funding contained in the adopted 03-04 budget.

Part 92, Section 503 (b) of the Federal HOME program regulations state that any funds invested in housing that do not meet affordability requirements for the period specified in the regulations must be repaid by the participating jurisdiction (the County). It is possible that if the project were to fail, the County could be

liable to repay the amount of the loan. It is important, however, to note that County staff conducted detailed underwriting including risk analysis for the Gianni Apartments.

Pursuant to Section Three: I.D.1.e. on page 25 of the adopted Housing Finance and Development Division's Administration and Funding Guidelines, the Loan Agreement does not require LHAC to bond for performance on Gianni Apartments. The Guidelines allow discretion to exempt performance bonding for special needs or certain small projects.

The potential risk to the County if the project should fail is minimal. Because of the low acquisition price, rapidly appreciating value of the property and the County's loan position, the County can easily recapture its funds in the event that the project fails. Staff has performed the due diligence in reviewing this loan prior recommending approval to the Affordable Loan Committee.

Special Instructions:

None

Concurrence: