



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 21, 2021
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) 568-2467
Director(s)
Contact Info: Dinah Lockhart, Deputy Director (805) 568-3523
Kimberlee Albers, Grants and Programs Manager (805) 560-1090
SUBJECT: Approve and execute Loan Documents adding Inclusionary Housing Ordinance (IHO) In-Lieu funds to West Cox Apartments affordable housing project (Project) in Santa Maria (Supervisorial District 5)

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 to execute an original and duplicate originals of the following documents, which provide an additional Four Hundred Fifty Thousand Dollars (\$450,000) in County In-lieu funds for development of thirty (30) one-bedroom affordable rental housing units at 1141 West Cox Lane, Santa Maria, California (the "Property"):
 1. County Loan Agreement (Attachment A), providing \$450,000 to the Project;
 2. County Deed of Trust, Assignment of Rents, and Security Agreement (Attachment B), securing the \$450,000 loan amount;
 3. County Loan Promissory Note (Attachment C) securing the \$450,000 loan amount.
- B. Consider the environmental effects of the project as shown in the Mitigated Negative Declaration adopted by the City of Santa Maria for the Project on March 20, 2019 (Attachment D) and find that pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15162, no

substantial changes are proposed, and there are no substantial changes in circumstances or new information of substantial importance regarding significant impacts or feasibility of mitigation measures and alternatives, and therefore approval of the Recommended Actions are within the scope of the Mitigated Negative Declaration adopted by the City of Santa Maria for the Project on March 20, 2019.

Summary Text:

On December 17, 2019 the Board of Supervisors (Board) approved and executed a County HEAP Loan Agreement, County HEAP Loan Promissory Note, County HEAP Loan Deed of Trust, and County HEAP Loan Regulatory Agreement (together the “HEAP Loan Documents”), which provided \$1,350,000 in State of California Homeless Emergency Aid Program (HEAP) funds to the Housing Authority of the County of Santa Barbara (Housing Authority) for development of the West Cox Apartments project at 1141 West Cox Lane, Santa Maria, CA (the “Project”). The balance of the project was funded with tax credit equity, State No Place Like Home funds, and bank construction and permanent financing. The Project consists of developing 30 rental units (29 units with one manager’s unit) in the City of Santa Maria for homeless persons and homeless persons with a diagnosis of a serious mental illness. During construction, the Housing Authority experienced unanticipated additional construction costs in the amount of \$971,593. The majority of these costs are related to site work and additional concrete (stem wall) required for the factory-built structures used, and to ensure ADA-accessibility of every building throughout the site. The Board is being asked to approve a loan agreement to provide an additional \$450,000 to partially offset these cost overruns, consisting of County Inclusionary Housing Ordinance In-Lieu funds, for a total County contribution of \$1,800,000 to the Project. The In-Lieu funds are designated for projects in Santa Maria Housing Market Area (HMA), so this project is an eligible use. The remaining \$521,593 Project construction deficit will be carried by the Housing Authority.

Background:

The Project is located at 1141 West Cox Lane in the City of Santa Maria, consisting of 30 1-bedroom (29 affordable) rental units. The development includes a community building for resident supportive services consisting of a community meeting room, computer lab, and clinic. Landscaped areas are also provided for tenants’ recreation.

The proposed loan has a term of fifteen (15) years, bears no interest and will be forgivable at the end of the term if the borrower remains in compliance with the requirements of the loan documents, including complying with the previously recorded regulatory agreement. The loan is evidenced by a County Loan Agreement (Attachment A), a Promissory Note (Attachment C) and secured by a Deed of Trust (Attachment B) recorded against the Property. The existing HEAP Loan Regulatory Agreement that secures performance of the income and rent restrictions will remain in place. The Housing Authority transferred the property to West Cox Cottages, L.P, a limited partnership established by the Housing Authority (the general partner) to facilitate tax credit financing and equity investment by a limited partner, together, the “Limited Partnership” on April 3, 2020. The Limited Partnership took title subject to the County’s Deed of Trust and Regulatory Agreement.

Construction commenced in 2020 and is now complete. The Project is completing lease-up as of docketing for this board letter. However, during construction, significant costs overruns in the approximate amount of \$971,593 were incurred. The revised per-unit cost of West Cox Cottages is \$381,634, which is still within the range of comparable multi-family affordable housing developments in Santa Barbara County. The remaining \$521,593 Project construction deficit will be carried by the Housing Authority.

Performance Measure:

HEAP funds were provided toward the development of the Project on December 17, 2019. Pursuant to that certain December 2018 Agreement between the State and County, and related HEAP NOFA, the County is responsible for monitoring HEAP projects. The Regulatory Agreement provides that the County monitor the HEAP assisted units for 15-years.

Fiscal and Facilities Impacts:

Not Applicable

Fiscal Analysis:

Not Applicable

Key Contract Risks:

The County assumes responsibility for the administration of HEAP and In Lieu in accordance with all State and local requirements governing their use. In addition, the County would be liable as a pass-through entity for repayment to the State if it or any provider to which it sub-grants funds is found to be non-compliant with applicable requirements. The Loan Documents provide for payment on a cost-reimbursement basis. This allows CSD/HCD to disburse state and local funds to the Sub-recipient for eligible incurred costs to the extent prescribed by the Agreement. The County will only reimburse Sub-recipients for costs that are eligible under the Loan Documents and documented in a manner that is acceptable to HCD. HCD staff will assess the performance of Sub-recipients to determine if the services provided are adequate and as outlined in the Agreement. The HEAP Loan Regulatory Agreement requires the County monitor the property's compliance for fifteen (15) years. If at any point during the 15-year term the Project does not comply with the requirements of the Loan Agreement or Regulatory Agreement, the County may accelerate repayment of its loan. Examples of such requirements include maximum rent, tenant income limits, annual reporting to the County, property management and maintenance. Alternatively, if the Project remains in compliance with the terms of the Loan Documents, the County's loan will be forgiven after 15-years.

Fiscal and Facilities Impacts:

Budgeted: Yes

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			
Fees			
Other: County IHO In-Lieu Santa Maria HMA			450,000
Total	\$ -	\$ -	450,000

Staffing Impacts:

The current requested activity falls within currently budgeted staff duties.

Special Instructions:

- 1) Please return two sets of the executed original documents (except that there is only 1 original Promissory Note and HCD will accept a copy) and a copy of the Minute Order to Ted Teyber. Please email or call when ready for pick up: eteyber@co.santa-barbara.ca.us Ext. 83513.
- 2) Please retain one set of the executed original documents (including the Promissory Note) listed below for COB records.

Attachments:

- A. Loan Agreement
- B. County Deed of Trust, Assignment of Rents, and Security Agreement
- C. County Loan Promissory Note
- D. City of Santa Maria CEQA MND