

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
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Agenda Number:

Prepared on: 05/3/05
Department: Housing and Community Dev.
Budget Unit: 055
Agenda Date: 06/21/05
Placement: Departmental
Estimate Time: 45 minutes
Continued Item: Yes
If Yes, date from: 3/01/05

TO: Board of Supervisors

FROM: Edward Moses
Housing and Community Development Department
Housing Finance and Services Division

STAFF

CONTACT: Patricia Gabel, ext. 3522

SUBJECT: Housing and Community Development Department's
Housing Finance Program

Recommendation(s):

Request that the Board of Supervisors hear an overview of current and potential Housing and Community Development Department Housing Finance Tools.

Alignment with Board Strategic Plan:

The recommendation is primarily aligned with Goals No. 5 and No. 7. Maintain and Enhance the Quality of Life for all Residents, and Strengthen the Safety and Well-Being of Children and Their Families to Ensure a Strong Future for our Community.

Executive Summary and Discussion:

The goals of the Housing Finance Program had been defined since its 1994 inception in the Office of the Treasurer – Tax Collector solely by the primary funding sources of the Division. These primary funding sources became the financing tools utilized to achieve these goals. The original goals were to:

1. Expand the supply of decent and affordable housing, particularly rental housing, for low – and very low – income persons [Title II (the Home Investment Partnership Act) of the National Affordable Housing Act of 1990]; and
2. Provide decent housing though assistance to low – income residents, eliminating neighborhood blight, and addressing urgent community housing needs (Title I of the Housing and Community Development Act of 1974).

With the inception of the Housing and Community Development Department (HCD) and the incorporation of housing finance into the Housing Finance Division, the goals were reevaluated. The Housing Advisory Committee (HAC) was appointed by the Board of Supervisors to advise HCD on its formation of housing policies and goals. The process began with HCD's county-wide retreat held in May of 2003, with more than 100 individuals representing various businesses, organizations, and municipalities in attendance. During this

three (3) day event, participants collaboratively designed a Mission Statement for the department which was adopted by the Board of Supervisors on July 15, 2003:

The mission of the County of Santa Barbara's Housing and Community Development Department (HCD), working in cooperation with county citizens, cities, governmental entities, commercial interest and other valuable county stakeholders, is to: Coordinate the development and implementation of regional strategic housing and community development processes that respect local needs, priorities and our natural environment, that lead to the development and maintenance of healthy and viable neighborhoods and an improved quality of life for all in our region. HCD will facilitate this community building effort by developing partnerships and strategies to create a full spectrum of housing and economic vitality; promoting advocacy & educational activities on well designed development initiatives.

In July 2004 the HAC recommended that HCD staff research the potential of linking County and State owned land and local bonds to build attainable workforce and affordable housing as an effort to achieve the Mission Statement.

In anticipation of bringing the concept of both the service to moderate – income and workforce households and the potential financing strategies needed to provide that service before the Board of Supervisors, it is important to first present and discuss an overall delineation of both existing and proposed housing finance tools to provide homeownership and rental housing opportunities. The chart included as Attachment A shows the \$206million+ funds that have been leveraged from other sources with existing financing tools. These existing tools and the funds leveraged have provided 1670 housing units to date for Santa Barbara County residents (1:9 ratios of County funds to leveraged funds). 141 of those units are homeownership opportunities. The chart included as Attachment B identifies the various financing tools utilized to develop the units which are affordable to low and very low income households. It also identifies those financing tools that HCD proposes to pursue.

Below is a synopsis of the *existing* HCD Housing Finance Tools:

HOME Investment Partnerships Program - Santa Barbara County is the lead agency for a consortium formed in 1994 and currently is comprised of the County and the cities of Buellton, Carpinteria, Goleta, Lompoc, Solvang and Santa Maria. The consortium is eligible to receive approximately **\$1.8 million** in entitlement affordable housing funds from the U. S. Department of Housing and Urban Development's (HUD) HOME Program. These funds are targeted to low (80% of area median) and very low (50% of area median) income families. Eligible uses of these funds include homeownership assistance, multifamily rental project assistance, homeowner and rental rehabilitation and tenant based rental assistance.

State Community Development Block Grants (CDBG) - Santa Barbara County is eligible to receive up to **\$535,000** annually CDBG funding through an annual competitive application to the State Department of Housing and Community Development's Small-Cities Program. A portion of these proceeds are available for affordable housing projects and public facilities serving low income residents, including new housing construction, ownership and rental rehabilitation, infrastructure improvements, the provision of public facilities and limited planning activities benefiting low income residents. For example, awarded funds have been loaned to not – for profit organizations such as Mercy Housing California and Peoples' Self – Help Housing Corporation for housing developments, used to study the needs of the Ventucopa Water Supply System, and providing housing rehabilitation to Isla Vista residents. The current 3 – year \$1.5 million CDBG application includes a Youth Residential Crisis Center on behalf of the County Department of Social Services, an Isla Vista Sheriff's Substation and a rental rehabilitation and down payment assistance program for disabled County residents.

IV Redevelopment Agency Housing Set – Aside - The Redevelopment Agency (RDA) and Isla Vista Project Area was created in 1991 to address overcrowding and redevelopment issues in this increasing multi-cultural community. Twenty percent (20%) of the monies derived as a result of the tax increment revenues (**\$574,000 annual average**) are reserved for affordable housing for low income families.

Portfolio Recapitalization - Housing and Community Development Department's (HCD) negotiated a loan of **\$1.1 million** from South Coast Community Federal Credit Union collateralized solely by the \$3.2 million of its HCD's total loan portfolio. The recapitalized loan funds provide capital to develop approximately new affordable housing. Repayment of the loan is made from the repayment cash flow of the secured portfolio over the term of the loan.

Program Income Reuse Plan – Program from the CDBG program, a scarce resource generated from project loan repayments not targeted to repay the Portfolio Recapitalization loan, provides an additional source of much needed funding. The County's adopted CDBG Program Income Reuse Plan targets forty-nine percent (49%) of the program income that is available for the provision of homeless facilities, services and activity delivery as well as other CDBG eligible activities prioritized in the County's Consolidated Plan. Fifty-one percent (51%) is deposited in a Revolving Loan Fund and is reserved for housing rehabilitation loans. Program income from the HOME and other local programs not targeted to repay the Portfolio Recapitalization loan is utilized for eligible activities identified in the County's Consolidated Plan Action Plans.

Inclusionary Housing Program Implementation - The Inclusionary Housing program requires that a certain percentage of all new units developed be made affordable to three or more target income categories. The County offers an increase in density on the site as an incentive. An alternative way of meeting the inclusionary requirement is to pay in – lieu fees. Inclusionary in – lieu fees are structured to encourage payment of in – lieu fees for very low and low income units. The County utilizes these in-lieu fees as a Federally required “match” to the HOME program detailed above. This leverage allows the County to produce more units than could otherwise be constructed.

Attainable Housing Trust Fund Program - Santa Barbara County receives fees assessed on developers and project owners to support the production and maintenance of affordable housing. These funds are disbursed to private and not-for-profit developers and public agencies for the provision of a range of housing alternatives, including low and very low income rental housing, low income ownership opportunities and special needs housing. The in – lieu funds are designated to projects in the same Housing Market Area in which they are collected. There are approximately **\$1.3 million** in local trust funds available to developers at the present time.

Exercising “First Right To Purchase” Option – When homes are obtained by low – income homebuyers through the Inclusionary Housing Program discussed above, a Regulatory Agreement is placed upon the property to guarantee the affordability of that unit over the course of regulatory period. The Regulatory Agreements give the County of Santa Barbara the first opportunity to purchase an affordable unit at a price – restricted rate calculated to allow the seller a reasonable return on investment. In certain limited instances the County will exercise its right to purchase the property and resell it to another income qualified buyer and, in doing so, garner program income to be utilized on other affordable projects.

McKinney – Ventu (HUD Homeless) Program - Santa Barbara County is annually competes for McKinney - Ventu (Homeless Services) and other funding for special needs populations through an annual competitive application to HUD. A portion of these proceeds are available for the acquisition of transitional and permanent housing opportunities with support services to formerly homeless persons. The County was awarded \$1.4 million in these funds in the 2004 annual application for 10 programs run by not – for – profits

around the County. The funding source also provides funds to Alcohol Drug and Mental Health Department's Casa de Mural residence.

Alcohol, Drug and Mental Health Funded Housing Program - Through a Cooperative Agreement with Alcohol, Drug and Mental Health Services (ADMHS) HCD is developing and providing oversight and administration of a written Housing Plan document for ADMHS' special needs population. HCD through this program provides assistance in completing current and ongoing housing facility projects for ADMHS.

Loan Repayment Enforcement – HCD program policy now requires that the terms of any loan made by HCD have the potential for repayment through amortized debt or aggressive residual receipts language in a Loan Agreement. This new policy allows for a greater return of program income to be recycled to new projects. Special consideration is always given to projects which serve special needs populations and others unique developments so that County financing requirements do not unduly burden the project.

Existing Loan Renegotiation – Owners of projects financed with County funds are being encouraged by HCD staff to renegotiate existing private loans to repay county debt. Technical assistance has been provided to several owners who refinanced high – interest first mortgage loans, paid off the County, and still lowered the monthly debt of the project. Repayment of county loans makes additional resources available to fund new housing development opportunities.

Below is a synopsis of *proposed* HCD Housing Finance Tools:

CDBG Urban County Status - HCD staff is actively pursuing the opportunity to obtain CDBG Urban County status. The CDBG Entitlement Communities program enables qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities) to receive annual grants. The program would provide an annual grant (approximately \$2.6million based upon the 2004 HUD budget) on a formula basis to the county. Santa Barbara County is currently eligible to receive CDBG funding annually through the State of California's "Small Cities Program" as detailed previously. This is a competitive program, requiring the preparation of an annual application to the State in response to a Request for Proposals. The County continues to seek entitlement status in order to receive a guaranteed annual allocation several times larger than the limited competitive funds available through the State. Not only would the County be able to facilitate greater opportunities for much needed affordable housing through entitlement status, but it also would have greater flexibility in the utilization of those funds.

County Mortgage Revenue Conduit Bond Financing - County bond issuance is a potential tool to be researched. County bonds have a potential to provide mortgage financing for the low and moderate income families. Tax exempt bonds could be available to supply mortgage opportunities for families at or below 80% of area median income. Taxable bonds could be available for families at or below 120%. A County partnership with a lending institution could provide the individual home mortgages. The homebuyer's monthly payment of their home mortgage would go directly toward payment of the bond.

Community Development Corporation (CDC) Formation - HCD hopes to research the potential of establishing a separate not-for-profit 501(c)3 organization to raise additional funds and create additional revenue streams that would further enable HCD to carry out its mission of providing housing and business opportunities for County Residents. By establishing a CDC, this "new" entity could have the ability to obtain Foundation, State and Federal funds not available to jurisdictions.

40 Year Mortgage Demonstration Project - HCD staff has had initial discussions with Fannie Mae regarding the institution of a 40 – year mortgage demonstration project in Santa Barbara County. The potential and feasibility of such a project is another potential tool.

Tri-County Workforce Housing Equity Fund - Initial inquiries into forming a collaboration with Ventura and San Luis Obispo County to work together to form an Equity Fund for attainable workforce housing opportunities is a potential tool that HCD would pursue. Genesis LA, a very successful equity fund group out of Los Angeles, has offered their expertise and experience in the field to assist HCD as we explore the potential for this fund.

Land Lease - An important part of an HCD financial investigation would be potential of leasing County – owned land in order to take the cost of land out of an attainable residential development. Part of the analysis would be the feasibility of managing the land lease through a single asset ownership corporation or other structure that could maintain County control over the housing program. As part of this program, the County would receive rental payments for the use of the land.

Mandates and Service Levels:

None

Fiscal and Facilities Impacts:

There are no fiscal and facilities impacts with this proposal other than the cost of staff time which would vary with the extent of analysis and public process involved in developing the concept and exploring the options. However, the full impact of a potential housing development on County – owned land would be included as part of an investigation. The Board letter provides further detail to summary of department housing programs provided on page D-248 of the proposed 04/05 budget.

Concurrences:

Auditor-Controller
County Executive Office

Special Instructions:

None

Attachment A – Housing Units and Leveraged Funds

Attachment B – Housing Finance Tools

Housing Units and Leveraged Funds

Affordable Housing Units Completed By Year Funded				
Year Funded	Units	Funding	Leveraged Funds	Total Funding and Leverage
1995	14	\$ 120,000	\$ 825,750	\$ 945,750
1996	135	1,552,011	10,485,041	12,037,052
1997	39	727,578	3,836,405	4,563,983
1998	120	1,364,516	12,694,417	14,058,933
1999	260	3,112,537	23,627,460	26,739,997
2000	372	2,248,288	16,946,703	19,194,991
2001	64	1,228,500	822,400	2,050,900
2002	62	2,055,176	11,250,000	13,305,176
2003	22	400,000	1,508,878	1,908,878
2004	0	0	0	0
1088		\$ 12,808,606	\$ 81,997,054	\$ 94,805,660

Affordable Housing Units - Projects Underway By Year Funded				
Year Funded	Units	Funding	Leveraged Funds	Total Funding and Leverage
1998	170	\$ 4,369,561	\$ 33,134,238	\$ 37,503,799
2001	12	843,365	2,012,865	2,856,230
2002	35	1,080,000	6,145,849	7,225,849
2003	4	75,000	650,000	725,000
2004	369	4,920,793	82,417,288	87,338,081
590		\$ 11,288,719	\$ 124,360,240	\$ 135,648,959

TOTAL	1678	\$ 24,097,325	\$ 206,357,294	\$ 230,454,619
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Attachment B

Housing Finance Tools

