



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
Department No.: 057
For Agenda Of: May 7, 2024
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from: N/A
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Jesús Armas, Community Services Director (805) 568-2467
Director:

Contact Info: Joe Dzvonic, Deputy Director, Housing and Community
Development Division (805) 568-3523
Lucille Boss, Interim Housing and Programs Manager (805) 568-
3533

SUBJECT: Substantial Amendment to Santa Barbara County's 2019, 2020, and 2021 Action Plans adding \$2,000,000 in HOME funds to the Village Senior Apartments Project (Project), and Project Loan Documents with The Village Senior LP, a California limited partnership; 3rd Supervisorial District

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 a Substantial Amendment to the 2019, 2020 and 2021 Annual Action Plans (Attachment G), which adds \$2,000,000 in HOME funds for a Project loan (County Loan) to The Village Senior LP (Borrower), and direct staff to submit the Substantial Amendment to the U.S Department of Housing and Urban Development (HUD); and
- b) Approve a Loan Agreement (Loan Agreement) with Borrower (Attachment A) and Promissory Note (Note) in the original principal amount of \$2,000,000 (Attachment B) evidencing the County Loan from the County to Borrower in the amount of \$2,000,000, a Deed of Trust (Deed of Trust) to be recorded against the Project (Attachment C) securing the Note, and a Regulatory Agreement (Attachment D) setting forth restrictions governing future Project operations as a condition of the County Loan (the "Regulatory Agreement" and together with the Loan Agreement, Note, and Deed

of Trust, collectively, the “County Loan Documents”), and direct the Chair of the Board to execute the Loan Agreement, and the Regulatory Agreement.

- c) Approve execution by the Board Chair of a Project Subordination Agreement (Attachment E) wherein the County agrees to subordinate its Project Loan to a Project construction loan (Banner Loan) provided to Borrower by Banner Bank (Banner Bank Subordination Agreement), and;
- d) Approve execution by the Board Chair of a Project Subordination Agreement (Attachment F) wherein the County agrees to subordinate the County Loan to a \$3,960,000 Project loan (the “HHC Loan” and, together with the Banner Loan, collectively, the “Senior Loans”) provided to Borrower by the State of California Department of Housing and Community Development (State HCD) under its Housing for a Healthy California (HHC) Program (HHC Subordination Agreement and, together with the Banner Bank Subordination Agreement, collectively, the “Project Subordination Agreements”), and;
- e) Authorize the Director of the County’s Community Services Department (CSD) to approve and execute future amendments to the aforementioned Project loan documents and subordination agreements that are deemed to be minor or ministerial in nature by the CSD Director, and which do not adversely affect the County’s rights, responsibilities or interests in connection with the County Loan, subject to concurrence by County Counsel, Risk Management and the Auditor Controller.
- f) Consider that a Mitigation Monitoring Program for the Oak Springs Village Specific Plan and Final EIR were adopted by the City of Buellton on July 24, 2003, and as revised on May 25, 2006, as completed in compliance with the requirements of the California Environmental Quality Act (“CEQA”), the State CEQA Guidelines, and the City of Buellton Environmental Guidelines (“Final EIR”), and the subsequent June 16, 2022 City of Buellton Planning Commission Resolution 22-06 (Attachment H) finding that no further environmental review is required per CEQA in that the Project, as revised, is adequately addressed in the aforementioned prior environmental documents for the Oak Springs Village Specific Plan, and find that, pursuant to 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 environmental effects or a substantial increase in the severity of previously identified significant effects, and therefore approval of the Recommended Actions are within the scope of the aforementioned Final EIR.

Summary Text:

The recommended actions authorize a County loan to The Village Senior LP in the amount of \$2,000,000, as memorialized via execution of the Loan Agreement, Note, and Regulatory Agreement, and secured by the Deed of Trust and Regulatory Agreement. The County Loan term is 55-year, 3% simple interest, with residual receipts payments. Moreover, in consideration of the Banner Loan, and the HHC Loan in the amount of \$3,960,000, this Item also requests Board approval for Board Chair execution of the Project Subordination Agreements subordinating the County Loan to the Senior Loans and memorializing legal requirements associated with (re)payment of the County Loan relative to the Senior Loans. The recommended action also include Board approval of a Substantial Amendment to the 2019, 2020, and 2021 Annual Action Plans that add \$2,000,000 to award HOME funds to the Borrower to use for the Project.

Background:

The Project has been in Santa Barbara County’s affordable housing development planning pipeline for more than six (6) years. Throughout this time, the Borrower has worked to acquire final Project financing. At its November 8, 2023 public meeting, the State of California Tax Credit Allocation Committee (CTCAC), approved an award of 9% federal low-income housing tax credits to the Project (Tax Credits). As a condition of such Tax Credits award, Cabrillo Economic Development Corporation, as the General Partner of Borrower, has until no later than May 20, 2024 to commence Project construction.

Regarding precedent action, on February 13, 2020, a Project funding reservation was considered by the County Capital Loan Committee (CLC), which recommended a reservation of \$895,941 in HOME funds for the Project. On March 17, 2020, the Board of Supervisors approved the CLC’s recommendation, reserving Project funds until March 17, 2021. However, the Borrower was unable to acquire tax credits during this timeframe, and the Project reservation expired on March 17, 2021. On September 14, 2021, the Board again approved the \$895,941 Project funding reservation. The Borrower submitted two additional rounds of CTCAC 9% tax credit applications, but did not receive an award of tax credits before the expiration of such Project funding reservation.

During HCD’s 2023-24 Notice of Funding Availability, the Borrower requested additional County funding with the intent of improving its CTCAC application score—providing local funds to a project boosts “tie-breaker” points, and projects receive a higher score in review and allocation of the 9% tax credits. This “tie-breaker” score ultimately determines which projects receive an award of tax-credits. On February 16, 2023, the CLC met and recommended a total HOME funding reservation of \$2,000,000. Thereafter, on May 2, 2023, the Board of Supervisors approved a Funding Reservation letter for the Project. The Developer applied for 9% tax credits on August 8, 2023, and was subsequently awarded tax-credits. The Project is now undergoing due diligence with an end date, and construction commencement date, of no later than May 20, 2024.

A description of the Project scope of work, budget and schedule follows.

Project Scope of Work:

Village Senior Apartments is a 50-unit new construction project comprised of 49 affordable units, and one two-bedroom property manager’s unit. The unit mix consists of 44 one-bedroom units, and six (6) two-bedroom units, restricted to residents earning between 30% to 50% of area median income for Santa Barbara County. Thirty-six (36) units are reserved for low-income senior citizens (62+ years) and thirteen (13) units restricted to Veterans 55+ years in age. A 2,450 square foot Community Recreation Room, offices, bathrooms, kitchen and storage are incorporated into the Project design, which includes a large courtyard with outdoor seating. Other Project amenities include a community garden, pedestrian walking paths linking the residential communities to a park and commercial center. This Project is the final element pursuant to implementation of the City of Buellton’s Village Specific Plan.

Project Budget:

The Project total development cost is \$36,511,377, and Project funding sources are reflected below.

Source	Amount
LP Investor Tax-Credit Equity	\$24,603,697
State HCD Housing for a Healthy California (HHC)	\$3,960,000
State HCD Veterans Housing and Homelessness Program (VHHP)	\$2,551,445
County HOME	\$2,000,000
Banner Bank Permanent Financing	\$1,717,400
Deferred Interest	\$187,442
Federal Home Loan Bank Affordable Housing Program (AHP)-Wells Fargo	\$730,000
Deferred Developer Fee	\$488,893
Central Coast Community Energy Program	\$122,500
City of Buellton	\$150,000
Total Sources	\$36,511,377

Project Schedule:

Commencement of Project construction is required to begin no later than May 20, 2024. Assuming an 18-month construction schedule, Project completion is projected to occur during the fourth quarter of 2025. Full lease-up is anticipated within 90 days of Project completion.

Performance Measure:

Pursuant to HOME program requirements, County staff will monitor tenant incomes, rents, property standards and related compliance for a minimum 20-year period. The Borrower has incorporated a \$2,500 line item into the Project annual operating budget to cover such County staff monitoring costs.

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			\$ 2,000,000.00
Fees			
Other:			
Total	\$ -	\$ -	\$ 2,000,000.00

Key Contract Risks:

The Project has received an allocation of 9% tax credits, all other Project funding is currently in place, and lender and investors have conducted due diligence regarding Project underwriting and risks. However, in the unlikely event that the Project is not completed, or is foreclosed upon by Senior Lender(s), prioritization of the Senior Loans and rights and remedies of Senior Lenders over those of the County pursuant to the Project Subordination Agreements may preclude full, partial or any repayment of the County Loan, and the County may then be obligated to reimburse HUD using other funds.

Staffing Impacts:

The current requested activity falls within currently budgeted staff duties. Existing County HCD staff will monitor Project and Borrower compliance with the provisions of the Regulatory Agreement for a minimum of 20 years, and fiscal monitoring will continue for the 55-year term of the County Loan. The Project financial projections include a line item in the amount of \$2,500 for annual County monitoring for the period of the County loan term.

Special Instructions:

1. Please return a copy of the Minute Order to Carlos Jimenez, at cjimenez@countyofsb.org.
2. Please execute each of the following and a) retain the original in COB files and hold **a copy** for pick up by Carlos Jimenez. Please email or call 8-3529 when ready for pickup:
 - a. Executed original of the HOME Loan Agreement (Attachment A)
3. Please hold for pick up the HOME Deed of Trust (Attachment C) **with original signature** for recording in the County's real estate records. After recording, the original will be returned to COB for its files.
4. Please hold for pick up the HOME Regulatory Agreement (Attachment D) **with original signatures** for recording in the County's real estate records. After recording, the original will be returned to COB for its files. Please provide Clerk of the Board Acknowledgement as to signature for this document subject to recordation.
5. Please retain the HOME Promissory Note signed by Borrower (Attachment B) in COB records, and hold a COPY for pick up.
6. Please hold for pick up the Banner Bank Subordination Agreement (Attachment E) **with original signatures** for recording in the County's real estate records. After recording, the original will be returned to COB for its files. Please provide Clerk of the Board Acknowledgement as to signature for this document subject to recordation. Please note: Bank policy is to sign at close of escrow; therefore, once executed fully and recorded, a copy of the recorded document will be provided to the Clerk of the Board.
7. Please hold for pick up the State HCD HHC Subordination Agreement (Attachment F) **with original signatures** for recording in the County's real estate records. After recording, the original will be returned to COB for its files. Please provide Clerk of the Board Acknowledgement as to signature for this document subject to recordation. Please note: State HCD policy is to sign at close of escrow; therefore, once executed fully and recorded, a copy of the recorded document will be provided to the Clerk of the Board.

Please email or call Carlos Jimenez at cjimenez@countyofsb.org or 8-3529 when documents are ready for pickup.

Attachments:

- A. County Loan Agreement
- B. County Promissory Note
- C. County Deed of Trust
- D. County Regulatory Agreement
- E. Banner Bank Subordination Agreement
- F. State HCD HHC Subordination Agreement
- G. Action Plan Substantial Amendment
- H. City of Buellton CEQA findings

Authored by:

Carlos Jimenez, Jr., Housing Program Specialist