



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:** Housing & Com Dev.  
**Department No.:** 055  
**For Agenda Of:** 4/12/2011  
**Placement:** Administrative  
**Estimated Tme:**  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

**TO:** Board of Supervisors

**FROM:** Department Sharon Friedrichsen, 568-2068 *Sharon Friedrichsen*  
Director Housing & Community Development Deputy Director  
Contact Info: Brooke Welch, 568-3521  
Senior Housing Programs Specialist

**SUBJECT:** Creekside Village HOME Investment Partnerships Program (HOME) Loan Agreement (Third 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 the final commitment of \$1,228,227 in HOME Investment Partnerships Program (HOME) funds to Los Alamos Creekside Village, L.P. for development of the Creekside Village Project providing 39 affordable rental units in Los Alamos (Third District).
- B. Approve the final commitment of \$800,000 in Local Affordable Housing Funds (Local Funds) to Los Alamos Creekside Village, L.P., for the aforementioned project.
- C. Approve and authorize the Chair of the Board of Supervisors to execute a Loan Agreement in the amount of \$2,028,227 (Attachment A), HOME Regulatory Agreement (Attachment B) and In-Lieu Regulatory Agreement (Attachment C).
- D. Authorize the Deputy Director of Housing and Community Development to execute two Subordination Agreements in a form approved by County Counsel; one for a loan by the US Bank, and one for a grant by the State of California Department of Housing and Community Development through the Joe Serna Jr. Farm Worker Housing Program.

**Summary:**

The \$2,028,227 County loan (Attachment A) to Creekside Village is made up of two funding sources:

- Local Affordable Housing Funds (Local Funds), in the amount of \$800,000; and
- Federal HOME Investment Partnerships Program (HOME) funds in the amount of \$1,228,227.

The allocations of HOME and Local Funds are consolidated into one Loan Agreement, which is in the form of a 55-year deferred, 3% simple interest, residual receipts loan. The County loan will be subordinate to the US Bank construction loan and a grant made through the State of California Joe Serna Jr. Farm Worker Housing Program. The project will be governed by two Regulatory Agreements, including, a) a HOME Regulatory Agreement (Attachment B) enforcing all HOME requirements, including a 20 year Affordability Period;<sup>1</sup> and b) a Local Fund (“In-Lieu”) Regulatory Agreement (Attachment C) enforcing all Local Funding requirements, including a 55 year compliance period.<sup>2</sup> The terms of both Regulatory Agreements are consistent with HOME requirements and serve to enforce these requirements throughout the respective terms of the agreements.

The project received an award of 9% tax credits from the California Tax Credit Allocation Committee (TCAC) in October 2010. Per TCAC’s 180-day readiness regulation, the project must commence construction by April 25, 2011. The project is fully entitled and ready to pull permits, and the groundbreaking is set for April 13, 2011. If the Board does not approve the County loan at the April 12 meeting, \$11.5 million in tax credit financing must be returned to the State and the project will not move forward.

The land use approvals and the mitigated negative declaration for this project were approved by the Board on May 19, 2009 in an item presented by County Planning and Development staff. The minute order from this meeting is provided as Attachment D.

**Background:**

Creekside Village involves new construction of a low-income rental housing project on a vacant 5 acre parcel of land located at 33 St. Joseph Street in an unincorporated area of northern Santa Barbara County known as Los Alamos. The project will provide a total of 39 units, (18 two bedroom, 18 three bedroom and 3 four bedroom) in nine structures, for low and very-low income households, with a preference for agricultural worker households.

On May 13, 2008, the Board of Supervisors approved a reservation of Santa Ynez Valley Local Funds<sup>3</sup> in the amount of \$800,000 to the Creekside Village Project. The project received two subsequent reservations of HOME funds in 2009 and 2010, which were approved by the Board on July 14, 2009 and May 25, 2010, respectively. On March 24, 2011, the Capital Loan Committee (formerly Affordable Housing Loan Committee) took action recommending final commitment of the HOME and local funding to support the development of the project. Subsequent to the Capital Loan Committee meeting, the applicant requested a change in loan terms whereby the Housing Authority as the General Partner on the project would receive an additional fee of up to \$80,000 per year for 15 years but the County’s share of residual receipts would be increased from 50% to 61%. The change was requested because of IRS compliance issues. Because of tax credit deadline, there was not enough time for the Capital Loan Committee to consider the request. However, staff analyzed the proposed change and determined that it

---

<sup>1</sup> Affordability Period is the period during which the HOME-assisted units must meet the HOME affordability requirements under HUD. The County is required by HUD to monitor the project for program compliance during this period.

<sup>2</sup> Compliance Period is the period during which the Local Fund-assisted units (same eleven units as HOME-assisted units) must meet the Local Fund affordability requirements under the County, which are the same as the HOME requirements.

<sup>3</sup> Local Funds are garnered through In-Lieu Fees collected from the Inclusionary Zoning Program, and are used to support the production and maintenance of affordable housing in Santa Barbara County. Local funds also allow the County to meet federal Match requirements under the HOME Program.

would not have a significant impact on loan repayment. The documents before you include the proposed change.

The recommended actions by the Board of Supervisors will formally execute the County funding through a Loan Agreement and two Regulatory Agreements which govern the loan terms and ongoing affordability restrictions respectively.

Surf Development Company, a non-profit affiliate of the Housing Authority of the County of Santa Barbara, and a County-certified Community Housing Development Organization under the HOME Program, will be the managing general partner in the owning limited partnership (Los Alamos Creekside Village, L.P.). Ongoing property management will be provided by the Housing Authority of the County of Santa Barbara.

The total project cost is \$19.1 million. Other sources of funding in addition to County HOME and Local funds include private funds provided through US Bank, a Joe Serna Jr. Farm Worker Program grant provided through the State, and tax credit equity. The project has also been approved to receive Project-Based Vouchers provided through HUD, which will serve as a vital source of ongoing operational funding for the project. The County loan will be in third position behind the US Bank loan and the State grant, and two Subordination Agreements will be executed accordingly.

It is important to note that, while the County loan will have a 55 year term, the project sponsor has agreed to devote 61% of the available residual receipts to paying off the County loan. The project financial projection (Exhibit B to the Loan Agreement) shows payment commencing in 2014, with the loan fully repaid in 2039. All repayment of the HOME and Local loans will be deposited into the local HOME Program fund for investment in future projects in accordance with Federal rules and regulations governing the HOME Program.

The level of income targeting (30%-50% of area median income), along with the strong track record locally of Surf Development Company and the Housing Authority of the County of Santa Barbara for project development and management, provide assurance that this will be a quality project that will become a significant asset for the Los Alamos community, and the County overall. This is the first new construction affordable housing project located in the Unincorporated County that has received HOME and/or Local funds since 1996.

Environmental review requirements under the National Environmental Policy Act (NEPA) have been met, and an Authority to Use Grant Funds was received by the County from HUD effective March 27, 2011. Planning and Development completed a Mitigated Negative Declaration (MND) on the project in February of 2009 and found that the project would not have a significant impact on the environment with the implementation of mitigation measures. On May 19, 2009, the Board approved the MND and adopted the mitigation monitoring program put forth by Planning and Development.

**Performance Measure:**

Safe and Healthy Families: Housing for all Segments of the Populations.

**Fiscal and Facilities Impacts:**

Budgeted: Yes

**Fiscal Analysis:**

<b><u>Funding Sources</u></b>	<b><u>Current FY Cost:</u></b>	<b><u>Annualized On-going Cost:</u></b>	<b><u>Total One-Time Project Cost</u></b>
General Fund			
State			
Federal			\$ 1,228,227.00
Fees			
Other:			\$ 800,000.00
Total	\$ -	\$ -	\$ 2,028,227.00

**Staffing Impacts:**

N/A

**Special Instructions:**

Execute three (3) original copies of the HOME Loan Agreement, two (2) original copies of the HOME Regulatory Agreement, and 2 original copies of the In Lieu Regulatory Agreements (signature must be notarized for the Regulatory Agreement) and contact Brooke Welch (x3521) to pick up two (2) copies of the Loan Agreement and one (1) copy each of the Regulatory Agreements.

**Attachments:**

- Attachment A: Loan Agreement
- Attachment B: HOME Regulatory Agreement
- Attachment C: In Lieu Regulatory Agreement
- Attachment D: Board of Supervisors Minute Order dated May 19, 2009

**Authored by:**

Brooke Welch, Senior Housing Program Specialist

**cc:**