



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

Submitted on:
(COB Stamp)

Department Name: Community Services
Department No.: 057
Agenda Date: June 9, 2026
Placement: Administrative Agenda
Estimated Time: N/A
Continued Item: No
If Yes, date from: N/A
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Director(s): Jesús Armas, Director, Community Services (CSD)
Contact: Joe Dzvonic, Assistant Director, Housing and Community Development
Lucille Boss, Housing Programs Manager
SUBJECT: **County Loan to FLT San Simeon Oaks, L.P., for development of a Multi-Family Affordable Housing Development in the Unincorporated area of Eastern Goleta Valley and Agreement to Provide Affordable Housing; Second Supervisorial District**

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Approve and authorize the Chair of the Board of Supervisors to execute an Agreement to Provide Affordable Housing (Attachment A) by and among the County, FLT San Simeon Oaks, L.P., a Delaware limited partnership (Borrower), and RTA San Simeon, LLC, a Delaware limited partnership (Market-Rate Developer) memorializing affordable housing restrictions applicable to the San Simeon Oaks Multifamily Housing Development, County of Santa Barbara Planning & Development Case No. 25HSG-00005 (Project), and direct its recordation to be recorded against title to the Project property in accordance with County Conditions of Approval for the Project;
- b) Approve a County Loan of In-Lieu Fee funds to Borrower in the original principal amount of \$1,100,000 (County Loan) memorialized by a Promissory Note (Attachment B), and secured by a Deed of Trust to be recorded against title to the Project property (Attachment C);
- c) Approve and authorize the Chair of the Board of Supervisors to execute:
 - i. a County Loan Agreement (Attachment D) with FLT San Simeon Oaks, L.P. (Borrower) setting forth terms and conditions of the County Loan, and

- ii. a Regulatory Agreement with Borrower (Attachment E) to be recorded against title to the Project property, setting forth affordable housing restrictions on the Project property as a condition of the County Loan;
- d) Approve and authorize the Chair of the Board of Supervisors to execute a Subordination Agreement with U.S. Bank (Attachment F), wherein the County agrees to subordinate the County's right to repayment of the County Loan to U.S. Bank's repayment rights under a Project construction loan provided to Borrower by U.S. Bank;
- e) Approve and authorize the Chair of the Board of Supervisors to execute a Subordination Agreement with CitiBank (Attachment G), wherein the County agrees to subordinate the County's right to repayment of the County Loan to CitiBank's repayment rights under a Project construction loan provided to Borrower by CitiBank;
- f) Approve and Authorize the Director of Community Services to fill in the Senior Loan blanks on the documents for U.S. Bank and CitiBank upon Borrower execution of the Senior Loan documents provided the Senior Loan blanks do not exceed \$23 million (tax-exempt construction loan) and \$24 million (taxable construction loan) for U.S. Bank, and \$23 million (tax-exempt permanent loan) and \$7 million (taxable permanent loan) for Citibank;
- g) Determine that the proposed action does not constitute a "Project" within the meaning of the California Environmental Quality Act (CEQA), pursuant to Section 15378(b)(5) of the CEQA Guidelines, because it consists of an organizational or administrative activity of government which will not result in direct or indirect physical changes in the environment.

Summary Text:

The recommended actions are to (1) approve and authorize the Chair to execute an Agreement to Provide Affordable Housing (ATP) memorializing affordable housing restrictions applicable to the Project; (2) approve a \$1,100,000 County Loan memorialized by a Loan Agreement and Promissory Note, a Deed of Trust securing the County Loan, and a Regulatory Agreement imposing affordable housing restrictions on the Project property as a condition of the County Loan; and (3) subordinate the County Loan two loans to Borrower from U.S. Bank and CitiBank pursuant to two Subordination Agreements.

Discussion:

Located at 4750 Hollister Ave. in unincorporated south Santa Barbara County, the Board selected this Project as one of the South Coast Rezone sites to accommodate the County's 2023-2031 Regional Housing Needs Assessment (RHNA) in 2024. The Project will be developed on Assessor's Parcel Number (APN) 065-040-026 (Project Property). Prior to construction, the Project Property will be divided into five separate lots via a Certificate of Compliance prepared and recorded by the Santa Barbara Unified School District (SBUSD). Of the five lots, four will accommodate housing while the fifth will comprise open space. The County's Project Conditions of Approval require Board approval, execution, and recordation of the ATP prior to issuance of the Project's building permits.

A total of 517 units are proposed for the Project. The Market-Rate Developer will own two of the five lots comprising the Project Property (Market-Rate Parcels), on which they plan to construct 411 residential housing units, of which 20 units will be restricted under the ATP for occupancy by, and at rents affordable to, moderate-income households earning up to 120% of Area Median Income for Santa Barbara County (AMI), for a period of at least 55 years. The affordable units will be constructed on two lots (Affordable Parcels) remaining under SBUSD ownership, and for which a 99-year ground lease will be executed by Borrower. The Borrower will construct and maintain 106

residential housing units (105 restricted and one unrestricted manager unit). The units will be restricted for a period of at least 55 years for occupancy by, and at rents affordable to, households whose incomes do not, in the aggregate exceed 60% of the AMI. The Borrower's General Partners are (1) Surf Development Company, a California nonprofit public benefit corporation and affiliate of the Housing Authority of Santa Barbara County (HASBARCO), and (2) FLT San Simeon Oaks AGP LLC, a Delaware limited liability company.

Background:

The Project Property has been under ownership of the SBUSD and is within the County's Eastern Goleta Valley Community Plan. SBUSD has agreed to enter into a ground lease with the Borrower for the Borrower to develop 106 affordable housing units (105 restricted and one unrestricted resident manager unit) on the Affordable Parcels. SBUSD sold to the Market-Rate Developer the Market-Rate Parcels on which the Market-Rate Developer intends to construct 391 unrestricted market-rate residential housing units and 20 units restricted for occupancy by, and at rates affordable to, moderate-income households. The Board of Supervisors has previously taken action related to this Project as follows.

In 2024, the Board approved rezoning the Project Property's Land Use Designation to Residential 20/30 units per acre, and Zoning to Design Residential 20/30 to accommodate future development of the Project Property to meet County RHNA requirements under the 2023-31 Housing Element.

On May 5, 2025, the Board of Supervisors provided preliminary, conditional approval of a \$1,100,000 County Loan for the Project. The County Loan amount is based on the development impact fees assessed by the County in connection with the Project, other than for Transportation-related fees. At that time, staff indicated the County Loan would also support a Borrower application to the State of California for a tax-exempt bond and 4% tax credit financing, noting staff would return to the Board to approve County Loan documents once all Project funding sources were identified and other conditions were met.

While the broad financial terms reflected in this Board Letter align with the May 5 Board action, there are a few revisions worth noting. In May, it was noted the project comprised 106 affordable units, suggesting all units would be restricted. Subsequently, it was confirmed that 105 units are restricted, and one is unrestricted, the latter to house a resident manager. It is not unusual for a resident manager unit to be unrestricted.

Additionally, this project is also being financed from loans provided by two commercial banks, along with proceeds from tax-exempt bonds. US Bank will provide the construction loan, subsequent to which this loan will be converted to a permanent loan provided by CitiBank. The Board's May 5 action included loan terms consistent with the State of California requirements for Department loans under the Uniform Multifamily Regulations set forth in California Code of Regulations, which includes limitations on subordination. The project team was ultimately not willing to agree to such terms and as the primary lenders, the loans from US Bank and CitiBank are in a superior position relative to the County Loan. As such, the Bank Loan must be paid in full prior to the County Loan. As noted in the fiscal section below, it is estimated this project will generate sufficient residual receipts to repay the County loan, commencing in year 11.

In August 2025, the Borrower received final Project funding through the State of California Debt Limit Allocation Committee and Tax Credit Allocation Committee. Based on timelines associated with acceptance of State funding, the Project must commence construction no later than July 2026. County funds are scheduled to be disbursed to the Borrower upon payment of impact fees prior to issuance of certificate of occupancy.

Lastly, in January 2026, the County Debt Advisory Committee met and reviewed the Project and recommended that the Board of Supervisors conduct a Tax Equity and Fiscal Responsibility Act (TEFRA) hearing for issuance of the tax-exempt bonds, for which the Santa Barbara County Housing Authority serves as issuer. In March 2026, the Board held a Project TEFRA Hearing. Following today’s approval, the Borrower will commence Project construction no later than July 2026; the projected completion date is the second quarter of 2028.

Performance Measure:

County staff will monitor tenant incomes, rents, property standards, and related compliance for a 55-year period. The Borrower has incorporated a \$2,500 line-item into the Project annual operating budget to cover County staff monitoring costs. The Project will advance the County’s RHNA goals in its 2023-2031 Housing Element Update by providing 105 affordable housing units dedicated to low-income households, and 20 residential housing units restricted for occupancy by, and at rents affordable to, moderate-income households.

Fiscal and Facilities Impacts:

As presented to the Board in May 2025, the loan includes an interest rate of 3% and is to be repaid through residual receipts. An updated proforma (Attachment H) has been prepared, and, while not a binding document, it continues to indicate the project will begin generating residual receipts (i.e., realize positive cash flow) commencing in year 11, and generate sufficient positive cash flow to pay the full loan by year 15. Moreover, as tax credit projects are typically refinanced or sold between years 15 and 20 following occupancy, any outstanding amount will be due and payable should either event occur, although, under the Subordination Agreements, the County will not receive any proceeds from such a sale or refinancing unless and until both U.S. Bank and Citibank are first repaid in full all amounts owed by Borrower.

The County Loan Agreement provides that the Borrower shall provide records to County HCD annually for HCD to monitor ongoing, continued compliance with terms and conditions of the County Loan as well as related County Loan documents.

Fiscal Analysis:

Funding Source	FY 2025-26	Total
General Fund		
State		
In-Lieu Fees	\$1,100,000	\$1,100,000
Fees		
Total	\$1,100,000	\$1,100,000

Staffing Impacts:

This activity falls within currently budgeted staff duties. County CSD staff will monitor Project and Borrower compliance with the provisions of the Regulatory Agreement for 55 years, and County CSD staff will monitor Project and Borrower and Borrower and Market-Rate Developer compliance for 55 years under the ATP.

Special Instructions:

Please email Carlos Jimenez at cjiminez@countyofsb.org when documents are ready for pickup.

1. HCD will obtain and provide COB original Developer signatures no later than June 5.
2. Please execute **two (2)** of each of the following, **retaining one** complete document and **returning one** signature page for each to CSD, and provide Clerk of the Board Acknowledgement as to signatures subject to recordation:
 - i. Agreement to Provide Affordable Housing (Attachment A)
 - ii. County Loan Agreement (Attachment D)
 - iii. County Loan Regulatory Agreement (Attachment E)
 - iv. U.S. Bank Subordination Agreement (Attachment F)
 - v. CitiBank Subordination Agreement (Attachment G)
3. Please return a copy of the Minute Order with the executed packet.
4. After recording, CSD will return copies of recorded Agreements, and Deed of Trust to the Clerk for its records.

Attachments:

Attachment A – San Simeon Oaks Multifamily Housing Development Agreement to Provide Affordable Housing

Attachment B – County Loan Promissory Note

Attachment C – County Loan Deed of Trust

Attachment D – County Loan Agreement

Attachment E – County Loan Regulatory Agreement

Attachment F – U.S. Bank Subordination Agreement

Attachment G – CitiBank Subordination Agreement

Attachment H – Updated Construction Closing Proforma

Contact Information:

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