



**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: March 15, 2016
Placement: Administrative
Estimated Time: 0
Continued Item: No
If Yes, date from:
Vote Required: 4/5

TO: Board of Supervisors

FROM: Department George Chapjian, Community Services Director (805) 568-2457
Director(s)
Contact Info: Dinah Lockhart, Deputy Director (805) 568-3523
Margo Wagner, Sr. Housing Program Specialist (805) 568-3529

SUBJECT: Resale: 217 Rice Ranch Road, Fourth Supervisorial District

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

General Services Concurrence:

As to form: Yes

Recommended Actions:

- a) (4/5 vote required) Adopt a Resolution (Attachment A) declaring the County’s intention to sell the County-owned property located at 217 Rice Ranch Road, located in the Orcutt Bluffs Development in Santa Maria, California (Assessor Parcel Number 103-630-008), pursuant to the terms and conditions set forth in the Resolution and the attachments thereto;
- b) (Majority vote required) Authorize the Director of the County of Santa Barbara General Services Department (GSD), or designee, to perform residential real estate services by arranging for marketing the residential property at 217 Rice Ranch Road, and obtaining pre-approved offers to purchase through the acceptance of sealed bids by publicly issuing a Request for Proposals (Attachment F) once the aforementioned Resolution has been adopted;
- c) (Majority vote required) Authorize the Director of the County Community Services Department (“CSD Director”) or designee to qualify and certify the eligibility of applicants pursuant to the qualifying criteria referenced in the Resolution (Attachment A);
- d) (Majority vote required) Authorize the CSD Director, or designee, to accept and sign an offer to purchase the property under the conditions described in the Resolution subject to the Board of Supervisor’s final approval. The Director’s exercise of this authority must be consistent with any direction the Board provides in Closed Session regarding the price and terms of payment within the purchase agreement obtained through the Request for Proposals process;

- e) (Majority vote required) Set Departmental Hearing for May 17, 2016 to consider the offer accepted by the CSD Director and obtain final approval by resolution authorizing and directing the execution of the deed and other required documents, including a Resale Restrictive Covenant, a Preemptive Right Secured by Deed of Trust, a Notice of Ordinance, and a Request for Notice of Default (Attachment D); and
- f) (Majority vote required) Determine that the recommended actions are exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3) as it can be seen with certainty that there is no possibility that these actions will have a significant effect on the environment, and direct staff to file the Notice of Exemption (Attachment E).

Summary Text:

On November 10, 2015 and March 8, 2016 the Board considered the terms and conditions of sale and provided direction to staff on the sale of the property.

The Board's approval of the recommended actions will enable the County's General Services Department ("GSD") to market the Rice Ranch Property, and obtain pre-approved offers to purchase through a sealed bidding process. A Request for Proposals will be publicly issued and the results will be reviewed under the supervision of the Auditor Controller's office in order to select the highest qualified bidder. The Community Services Department (CSD) Housing and Community Development (HCD) division will process an HCD Homeownership Application to ensure that the prospective buyer is eligible under the County's Affordable Housing Program. CSD will accept a qualifying offer and return to the Board for final approval and to obtain the authority necessary to complete the sale and record a new restrictive covenant that is consistent with the current restrictions and includes additional terms that address matters not covered by the current restrictions (Exhibit D).

Background:

In 1994 and in 2002, an Agreement to Provide Affordable Housing and an Agreement for Assumption of Resale Restrictive Covenant, respectively, were recorded against the Rice Ranch Property in order to satisfy the County's requirement for the provision of affordable housing. These restrictions were imposed as a condition of approval by the County for the development of the Lorraine Estates residential development.

In 2007, when an initial sale of an affordable, restricted unit to a qualified household was unsuccessful, the County Chief Executive Officer (CEO) purchased the Rice Ranch Property from the owner on behalf of the County. The CEO purchased the property pursuant to County Ordinance 4637, which was passed and adopted in January 2007 in accordance with California Government Code Section 25350.60.

The residential property at 217 Rice Ranch Road in Orcutt is a 2 bedroom 2 bath attached condominium unit with 1001 square feet of living area. Subsequent attempts since 2007 by the County to resell the unit failed, due to buyer disinterest, the existence of affordable housing covenants on the property and falling residential property values. Despite the property's pricing and convenient location, it has not been competitive with the market rate housing stock in the area. Property owners in the Orcutt Bluffs development also pay a \$395 monthly homeowners association (HOA) fee in addition to their monthly mortgage payment, creating a further disincentive for the purchase of the property by low- and moderate-income households.

In order to enhance the property's marketability, staff enlisted the services of a certified professional real estate appraiser, familiar with the Santa Maria/Orcutt residential real estate market area, to provide a comparative market analysis (Attachment C). The Property must currently be sold to a household in the Lower-Moderate Income category unit (80-100% of AMI).

To address the affordability concern of the Board of Supervisors made on November 10, 2015, staff reviewed first time homebuyer sales in the past three years administered by the County and determined that over two thirds of the purchases (28 out of a total 39 sales) were made with a mortgage that allowed a 5% down payment and 95% loan to value ratio (LTV). As a part of their ongoing efforts to expand access to credit for creditworthy borrower and to support sustainable homeownership, Fannie Mae and Freddie Mac currently offer 97% loan to value

financing options to serve qualified home buyers. Within the zip code of the subject property, the median income for a household between the ages of 25-44 years old is \$61,094. If a household with this median income were to purchase a home at the maximum sales price of \$203,600 with a 5% down payment on a 30 year loan with a 4.5% interest rate, their total housing payment would consume 33% of their monthly gross income, which is considered within the acceptable range of housing cost affordable to the household.

A Request for Proposal will be issued to the public creating an open bidding period during which HCD will receive sealed bids to purchase the unit from pre-approved applicants. Applicants will be pre-approved before submitting a sealed proposal by demonstrating that they meet the eligibility criteria of the Inclusionary Housing Program and that they qualify for a mortgage to allow the purchase of the affordable unit. Pre-approved, sealed bids will be opened in public and the names of the applicant will be read aloud under the supervision of the Auditor Controller's office. The offered purchase prices will not be disclosed publicly until the results are presented to the Board for consideration. Once the submitted proposals have been reviewed and evaluated, HCD will select the highest offer from an eligible buyer and the CSD Director will accept an offer and execute a sales agreement to purchase the property under the conditions described in the Resolution subject to the Board of Supervisor's final approval. The matter will be brought to the Board in Open or Closed Session depending on the results of the proposal process.

Any commission paid to the buyer's real estate broker would not exceed three percent (3%) of the final purchase price. The name of the real estate broker and the amount of the commission paid will be stated in the offer to purchase and shall be disclosed to the Board of Supervisors in a subsequent board letter, which will request Board consideration and approval of the sale.

The County will record new restrictions in order to clarify and update the restrictions on the property. The new owner will be subject to the County's Affordable Housing Program's resale provisions for an additional 9 years, until 2024. If the new buyer sells or refinances the property before then, the sales price of the property or the ability of the owner to refinance will be restricted to the applicable household income and resale price guidelines in effect for the year in which they sell or refinance. Additionally, the owner would be required to sell the property to a qualified buyer who meets the income qualification under those guidelines.

Fiscal and Facilities Impacts:

Budgeted: No

Fiscal Analysis:

The County expended \$177,700 from Affordable Housing Trust Fund (Fund 0065) to repurchase the home in 2007. County has expended approximately \$4,800 annually for maintenance and monthly HOA dues. After costs associated with the sale of the property are deducted, HCD will deposit the net proceeds from the sale of the home into the Affordable Housing Trust Fund to be used at a future date to preserve or increase the number of affordable housing units in the County.

Work performed by General Services associated with preparing the property for sale, and preparing the sales documentation, including staff time by HCD's Property Management/Inclusionary Housing Program, will be funded by Fund 0065.

Key Contract Risks:

n/a

Staffing Impacts:

There are no staffing impacts other than for on-going monitoring of the subject property.

Special Instructions:

- Direct staff to post notice of the Resolution as required by Cal. Gov. Code Section 25528
- Provide Minute Order to: Housing and Community Development
Attn: Margo Wagner, Sr. Housing Program Specialist

Resale of 217 Rice Ranch Road

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Attachments:

Attachment A – Resolution

Attachment B – Buyer’s Information Packet

Attachment C – Comparative Market Analysis

Attachment D – Resale Restrictive Covenant

Attachment E – CEQA

Attachment F – Request for Proposals

cc:

Scott Greenwood, Deputy County Counsel

Don Grady, Real Property Division Manager, General Services