

**SANTA BARBARA COUNTY  
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Agenda Number:**  
**Prepared on:** 11/30/05  
**Department Name:** Housing and Comm. Dev.  
**Department No.:** 055  
**Agenda Date:** 12/13/05  
**Placement:** Administrative  
**Estimate Time:**  
**Continued Item:** NO  
**If Yes, date from:**

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**TO:** Board of Supervisors

**FROM:** Ed Moses, Director  
Housing and Community Development

**STAFF CONTACT:** Tim Wong  
ext. 3523

**SUBJECT:** College Park Apartments Loan Documents (4<sup>th</sup> District)

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**Recommendation(s):**

That the Board of Supervisors:

- A. Find that a Mitigated Negative Declaration prepared by the City of Lompoc for the College Park Apartments, formerly known as G & College Apartments was noticed on May 17, 2002 and on the basis of the whole record there is no substantial evidence that the project will have a significant effect on the environment.
- B. Approve the commitment of \$1,685,466 of County and City of Lompoc HOME funds for permanent financing costs for the College Park Apartments, located at 201-207 E. College Ave., Lompoc, CA .
- C. Approve the commitment of \$400,000 of the County's Loan Portfolio Recapitalization Fund for permanent financing costs for the aforementioned project
- D. Authorize the Director of Housing and Community Development to execute two Loan Agreements in the total amounts of \$1,685,466 and \$400,000, respectively, and a Regulatory Agreement, all in substantially the form of the attachments to this Board letter, for the development of this project.

**Alignment with Board Strategic Plan:**

The recommendation(s) are primarily aligned with Goal No. 7. Strengthen the Safety and Well-Being of Children and Their Families to Ensure a Strong Future for our Community

**Executive Summary and Discussion:**

College Park Apartments is a proposed 35 unit apartment complex in the City of Lompoc being developed by Lompoc Housing and Community Development Corporation (LHCDC), the Lompoc Housing Market Area not-for-profit Community Housing Development Organization (CHDO). The project is located at 201-

207 E. College St. in the City of Lompoc. Two dilapidated structures previously located on the site have been demolished.

Your Board has two loan agreements before you for your consideration for a total loan amount of \$2,085,466. Both loan agreements are for the same project but because of the differing loan terms for each loan, individual loan agreements were prepared.

### **\$1,685,466 County/City of Lompoc HOME loan**

LHCDC has requested a HOME loan of \$1,685,466 to develop the College Park Apartments. The loan is a 3%, 55 year, residual receipts, permanent financing loan that will be used to take out existing short term loans and pay for other soft cost expenses in the development of this project. The funding source is \$1,076,640 from the unincorporated County formula allocation of Home Funds and \$608,826 from the City of Lompoc's formula allocation of Home Funds. Since the City of Lompoc is contributing \$608,826 to this project, the residual receipts will be split on a pro-rata basis with the City receiving 36% of residual receipts.

In September 2004 Your Board approved a \$486,000 preconstruction loan to LHCDC. This predevelopment loan was to pay for architectural design costs. The existing \$486,000 loan will be incorporated into the \$1,685,466 permanent loan. Therefore, the HOME loan agreement now before you commits an additional \$1,199,466 in HOME funds to be loaned to this project. The preconstruction loan document for \$486,000 will be reconveyed at the time the permanent loan is recorded.

### **\$400,000 County Loan Portfolio Recapitalization Fund loan**

In December 2004, your Board approved a loan agreement with South Coast Community Federal Credit Union that permitted County Housing and Community Development to recapitalize its existing loan portfolio to provide additional capital for affordable housing opportunities. The final term of the loan was a 5.625%, 12 year, \$1.1 million loan. The loan negotiations and transaction was made in full consultation with the Auditor – Controller's office.

LHCDC has requested a \$400,000 loan from this source of funds. HCD proposes to lend the funds to LHCDC as a 5.3%, 15 year, residual receipts loan. It is important to note that providing a slightly lower interest rate to this affordable project (.325% lower) does not adversely impact the County portfolio loan, The details are addressed in the Fiscal and Facilities Impacts section of this letter.

### **Project Specifics**

County HCD began reserving funds for this project in 2002 as part of the County's annual Notice of Funding Availability (NOFA) process in which affordable housing developers submit application requesting County funds for potential projects. HCD staff and outside consultants then review the applications and prepare recommendations of which projects should receive funding reservations to the County Affordable Housing Loan Committee for their review. The Committee's recommendations are then included in County HCD's federal Housing and Urban Development (HUD)-required annual Action Plan. Your Board approves the Action Plan prior to submitting the plan to HUD> The College Park Apartment project has received fund reservations in 2002, 2003 and 2005. However, prior to expending the County funds, the developer must submit a commitment application to HCD containing the final project financing details and required

documentation. The commitment application goes through the same process as the reservation of funds culminating in Your Board approving the loan documents.

The Santa Barbara County Affordable Housing Loan Committee recommended approval for the commitment of funds for the HOME loan and County Recapitalization loan on November 16, 2005, subject to the following conditions, which are also incorporated into the attached loan agreement and related documents.

- © The applicant is requesting \$400,000 from the County Loan Recapitalization Fund instead of the original \$439,919 March 17, 2005 reservation. The County Loan Recapitalization Funds will be a 5.30%, 15 year term, residual receipts loan,
- © That the \$1,199,466 in City/County HOME funding be in the form of a 3% interest, 55-year, residual receipts loan,
- © That the County loan be in fourth position, subordinate only to Citibank, Federal Affordable Housing Program and State Multifamily Housing Program,
- © Prior to disbursement of funds, an appraisal must be submitted.
- © A Final Management Plan must be submitted and Approved prior to disbursement of funds

Total property acquisition costs, including demolition and development costs, are \$12,805,139. The predevelopment loan will pay for the architect's costs in preparing the design and working drawing for the project and other soft costs. The total funding breakdown is comprised of:

Cal HFA loan	\$1,616,900
City/County HOME funding	\$1,685,466
Accrued/Deferred Interest	\$42,700
County Recapitalization Portfolio funding	\$400,000
State Multifamily Housing Program	\$2,362,046
Federal Home Loan Bank Affordable Housing Program	\$210,000
Investor Capital Contributions	\$5,368,700
GP Equity	\$899,327
Deferred Developer Fee	<u>\$220,000</u>
TOTAL	\$12,805,139

At this time, federal NEPA requirements for the project have been met, and other federal overlay requirements which come into play with acquisition and construction projects, including Uniform Relocation Act requirements. State CEQA requirements have been met through the City of Lompoc's preparation and adoption of a mitigated negative declaration and state relocation requirements have also been met. Consequently, the project is at a stage of readiness appropriate for the County to move forward with its funding commitment.

**Mandates and Service Levels:**

No changes to programs or service levels.

**Fiscal and Facilities Impacts:**

This project will increase the supply of affordable housing in the Lompoc housing market area and insure its long term affordability. County administrative activities related to project development are eligible for reimbursement by the HOME program under the 10% set aside for administration activities. This proposed action allocates for specific use funding contained in the adopted 04-05 budget.

Part 92, Section 503 (b) of the Federal HOME program regulations state that any funds invested in housing that do not meet affordability requirements for the period specified in the regulations must be repaid by the participating jurisdiction (the County). It is possible that if the project were to fail, the County could be liable to repay the amount of the loan. It is important, however, to note that County staff conducted detailed underwriting including risk analysis for the project.

The potential risk to the County if the project should fail is minimal. Staff has reviewed the total debt on the property and the appraised value is significantly higher than the total debt thus County can recapture its funds in the event that the project fails. It is a condition of the loan that the Staff has performed the due diligence in reviewing this loan prior recommending approval to the Affordable Loan Committee.

Under the terms of its recapitalization loan, the County must make monthly payments on the funds in its recapitalization pool at an interest rate of 5.625%. The \$400,000 loan from this funding pool has an interest rate of 5.3%. In addition, it is structured as a residual receipt loan meaning that annual loan payments will only be made if there is enough money for such payments after normal operating expenses have been paid. These terms can be offered to affordable projects because loan payments from the existing Housing and Community Development portfolio are already available to repay the recapitalization loan. It should be noted that one of HCD's loan conditions was that the General Fund was not needed to secure this loan transaction. The Debt Advisory Committee had referred HCD's re-capitalization loan request to your Board.

The loan is paid from the repayment proceeds of HCD's \$3.421 million loan portfolio used to secure this transaction. During the 2003 Calendar Year repayment proceeds for HCD's entire loan portfolio has averaged \$35,000 per month, well in excess of the required debt service. The Credit Union used our portfolio historical performance as an underlying basis in making its underwriting decision to enter into the transaction.

**Special Instructions:**

None

**Concurrence:**

Auditor Controller  
County Executive Office