



**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: HCD
Department No.: 055
For Agenda Of: October 19, 2010
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department David Matson, Director Housing and Community Development
Director(s) (805) 568-2068
Contact Info: Christa S. Coski, Chief Financial Officer
(805) 568-3526
**SUBJECT: Update of Affordability Provisions and Encumbrance for 26 La Calera Way,
Third Supervisorial District**

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence: N/A

As to form: Select_Concurrence

Recommended Actions:

- 1) Approve a modification of the affordability conditions on the real property located in the Pacific Glen Development at 26 La Calera Way, in Goleta California (Assessor Parcel No. 073-480-006)
 - a) Change income category from Low (50-80% of Area Median Income) to Moderate (100-120% of Area Median Income).
 - b) Increase the affordability covenant on the property from the present 30 years to 45 years, effective from the date of transfer to the new owner.

Summary Text:

The Department of Housing and Community Development (HCD), on behalf of the County of Santa Barbara has exercised the right of first refusal with the purchase of the property located at 26 La Calera Way in Goleta as a result of the owner's violation of the occupancy requirement of the Resale Restrictive Covenant and Preemptive Right, instrument number 1999-026770. The County purchased the home at a pre-determined Maximum Sales Price of \$144,900, as defined in Section IIC of the Resale Restrictive Covenant governing the property. As the current owner of record, HCD intends to resell the home to a qualified affordable housing applicant. Currently, the home is designated as a Low Income unit (50-80% of AMI). Staff recommends that the resale-restricted category of the unit be changed to a

Moderate Income unit, eligible to be sold to a buyer earning up to 120% of AMI¹. This recommendation is based on the recognition of the considerable gap between a lower income household's annual earnings and the actual costs of homeownership, inclusive of Homeowners Association (HOA) fees associated with the unit in this complex. Of note, HOA fees are set regardless of income category, or continued ability to pay and are subject to increase over time. In addition, increasing the income category classification of this unit provides an opportunity for the County to recoup costs associated with repairs and maintenance necessary to place the unit back on the market. Further, the change in income category provides an additional Moderate Income unit to the County affordable housing inventory for a period of at least 45 years, consistent with Policy 6.3 in the 2003-2008 Housing Element, which states that:

"The County shall extend the duration of existing affordability agreements whenever feasible if such extension is consistent with requirements of other applicable laws, regulation or programs and county policies."

Policy 6.3, Action 1 states:

"Where feasible when an affordable unit is subject to a county affordability covenant is for sale, the County shall exercise its first right of refusal to acquire the unit. Once acquired and prior to reselling the unit, the county shall update the affordability provisions and encumber the units for at least 45 years. The 45 years shall be re-started with each re-sale from the date of transfer if affordability terms have not expired, for a maximum period of 90 years. The County shall use in-lieu housing funds, federal and state loans and grants, and other County or private funds, as available and appropriate, to exercise its first right of refusal."

The purchaser of the affordable unit will enter into an improved 45 year Resale Restrictive Covenant and Preemptive Right, a Deed of Trust, a Notice of Ordinance and a Request for Notice of Default. The aforementioned documents, once recorded, will help ensure retention of the affordable unit on the South Coast. When a qualifying Moderate Income household is certified, HCD intends to place that household into the unit under a new covenant as per Policy 6.3, Action 1 discussed above.

Background:

The Board of Supervisors approved similar modifications of affordable provisions of two other affordable properties, one located in the First Supervisorial District in 2004 and the other located in the Third Supervisorial District in 2007. In addition, the Affordable Housing Policy Committee's June 5, 2007 report to the Board of Supervisors recommended the County should direct its affordable housing efforts to increase rental housing for the Low and Very Low income categories and not develop "for sale" units for these categories. The report also recommended that the County focus on promoting homeownership opportunities for the Moderate and Workforce income categories. Currently, the County's 2003-2008 Housing Element Inclusionary Housing Program is specifically designed to encourage homeownership opportunities for the Moderate and Workforce income categories and rental opportunities for the Very Low and Low income categories, mirroring the recommendations made by the Committee.

¹ Currently, the AMI for Santa Barbara County is \$71,400.

Additionally, HCD leverages HUD-allocated federal funds almost exclusively to nonprofit agencies in coordination with our HOME and Urban County Partner cities for the purpose of providing affordable rental units benefitting Low and Very Low income categories. Simultaneously, HCD recognizes the need for housing for families earning between 100-120% of Area Median Income, and continues to explore ways to promote and produce workforce housing that is affordable to those income groups and provides homeownership opportunities. This Moderate Income category includes families who cannot afford market rate homes, nor can qualify for low income affordable housing. Households in this income category include many in our community who are employed in essential education, public safety, health care and public sector occupations.

Fiscal and Facilities Impacts:

Budgeted: No

Fiscal Analysis:

The County expended \$146,136 from Affordable Housing Trust Funds to purchase the home and approximately \$7,000 for maintenance, repairs and utilities. HCD intends to sell the home for the current maximum resale restricted sales price of \$231,300 to a certified Moderate Income category purchaser. The affordable unit will be made available through HCD's standard lottery process by which the random-selection lottery ranking is witnessed by a representative of the County Auditor-Controller's office. The net profit from the sale of the home would generate approximately \$75,000 in revenue to be re-deposited in the HCD Affordable Housing Trust Fund and used at a future date to preserve or add affordable housing units across the County.

Staffing Impacts:

Legal Positions:

None

FTEs:

none

Special Instructions:

Send Action Summary to:

Housing and Community Development Department
Attn: Christa S. Coski, Chief Financial Officer, Suite 105

Attachments:

None

Authored by:

Margo Wagner, Housing Specialist II

CC: