



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: August 9, 2011
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Sharon Friedrichsen, Interim Director, 568-2068
Director(s)
Contact Info: Brooke Welch, 568-3521

SUBJECT: HOME Funding Reservation Agreement and Commitment Amendments

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 and authorize the Chair to execute a HOME Investment Partnerships Program (HOME) Reservation Agreement with Surf Development Company, reserving HOME funding to the Santa Rita Village Apartments Project in the amount of \$1,078,132 (Fourth District) (Attachment A).
- B. Approve and authorize the Chair to execute a second amendment to the HOME Loan Commitment Agreement with Surf Development Company for the Braddock House Project, extending the term of the agreement to June 30, 2012 and increasing the amount of the funding commitment to \$235,000 (Second District) (Attachment B).
- C. Approve and authorize the Chair to execute an amendment to a HOME Commitment Agreement with McClelland Santa Maria, L.P. for the Rancho Hermosa Project, extending the term of the agreement to June 30, 2012, increasing the amount of funding commitment to \$572,176, and reflecting a change in the project sponsor (Fifth District) (Attachment C).

Summary Text:

The County of Santa Barbara is the lead agency in the Santa Barbara County HOME Consortium, and receives annual HOME program funding from the United States Department of Housing and Urban Development (HUD) for the purpose of expanding the supply of affordable housing. HOME program regulations require that funds be committed to projects within two years, and expended within five. The

program also requires that a minimum of fifteen percent (15%) of the total annual HOME grant funding be invested in housing to be developed, sponsored or owned by qualified Community Housing Development Organizations (“CHDO”s). A CHDO is a specially designated non-profit organization under HOME program regulations, which has among its purposes the provision of affordable housing for low-income households. All agreements included in today’s Board item are with Surf Development Company, which is a recognized CHDO in the County and is a non-profit affiliate of the Santa Barbara County Housing Authority.

In order to comply with project funding commitment and CHDO reservation requirements, the County and project sponsors must execute agreements committing HOME program assistance to projects included in its annual Action Plan(s). Failure to commit funds within the required two-year period could result in recapture of HOME funds by HUD through the de-obligation process. Accordingly, Board authorization to execute the subject agreement and amendments contained in the attachments to this staff report satisfy the commitment and CHDO reservation requirements under HUD HOME program regulations. Each project will return to the Board for consideration of final approval prior to execution of a Loan Agreement.

Background:

Each year the County Housing and Community Development Department (HCD), as lead agency under the HOME Consortium, prepares an annual update to the Five-Year Consolidated Plan known as the Action Plan. The Action Plan constitutes the County’s formal grant application to HUD for federal HOME and other entitlement funding. Prior to submission to HUD, the Action Plan and all projects identified therein are preliminarily approved by the Board of Supervisors. County HCD subsequently enters into agreements with project sponsors evidencing the commitment and reservation of HOME funds to locally-funded projects included in the Action Plan. Three specific projects, previously approved for funding by the Board, are detailed below.

Santa Rita Village HOME Reservation Agreement

Santa Rita Village, sponsored by Surf Development Company, involves demolition of 10 public housing units and new construction of a 55-unit multi-family rental housing complex affordable to low and very low income households in the City of Lompoc. The project received an initial funding reservation from the City of Lompoc (“City”) HOME allocation under an Action Plan amendment approved by the Board on August 10, 2010 in the amount of \$500,000. The project received subsequent funding reservations from the City and the County HOME allocations under the 2011 Action Plan, approved by the Board on May 12, 2011. Since that time, HUD notified the County of a reduction in the HOME program grant allocation, and the project funding reservation was reduced accordingly. An amendment to the 2011 Action Plan reflecting the reduced project funding award is being considered for Board approval concurrently with this Reservation Agreement. The total amount of HOME funds reserved for this project through the subject agreement is \$1,078,132.

Surf Development Company was certified by County HCD as a CHDO in February 2010. The HOME Reservation Agreement evidences the reservation of funds to a designated CHDO, consistent with HOME program regulations. Surf Development submitted an application for tax credit financing under the State of California Tax Credit Allocation Committee (TCAC) on July 13, 2011, and, if awarded, the project can commence construction thereafter. If tax credits are not awarded, Surf Development has other plans to ensure the project moves forward.

Braddock House Second Commitment Amendment

Located in the City of Goleta, the Braddock House Project involves new construction of a four-bedroom house specifically designed to meet the needs of persons with developmental disabilities. The City of Goleta, as a member of the HOME Consortium, has dedicated a portion of its HOME allocation to the project. The Board of Supervisors entered into a HOME Commitment Agreement and Commitment Amendment on June 16, 2009 and July 12, 2010, respectively, with Surf Development Company for Braddock House, committing an aggregate of \$200,000 in HOME funds to the project. It received an additional \$35,000 reservation of Goleta HOME funds under the 2011 Annual Action Plan, which the Board approved on May 12, 2011. Project construction is underway and is nearing completion. Loan documents for the permanent financing loan of HOME funds in the aggregate amount of Two Hundred Thirty Five Thousand Dollars (\$235,000) are currently being drafted by County staff and are anticipated to be considered for Board approval in September 2011.

Rancho Hermosa Commitment Amendment

Located in the City of Santa Maria, Rancho Hermosa involves new construction of a mixed-use project including 47 affordable rental units and resident-serving community facilities on a formerly vacant 2.87 parcel of land. The project is currently under construction and occupancy is anticipated for October, 2011. On June 16, 2009 the Board of Supervisors entered into a \$477,077 HOME Commitment Agreement with the former project sponsor, Santa Barbara Housing Assistance Corporation (SBHAC), for the project. Since that time, the project sponsorship has changed to a California limited partnership – McClelland Santa Maria, L.P. – with Surf Development Company, a local CHDO, serving as managing general partner. This change is reflected in the Commitment Amendment accordingly.

Since initial approval of the Commitment Agreement in 2009 by the Board, a recommendation of an additional allocation of HOME funds in the amount of \$95,099 was approved by the Affordable Housing Loan Committee on September 10, 2010, to replace an equal amount of County Community Development Block Grant (CDBG) funds that would be deobligated from the project. This exchange of funds will result in more efficient contract preparation and monitoring, as all project funds provided by the County will be included under one contract and will be required to comply with only one set of regulatory requirements. The deobligation of CDBG funds and allocation of additional HOME funds will be reflected in an amendment to the 2011 Action Plan that is being considered for Board approval concurrently with this Commitment Amendment. The total amount of HOME funds reserved for this project through the subject agreement is \$572,176 (352,689 from City of Santa Maria HOME allocation, \$219,487 from County HOME allocation). Loan documents for the permanent financing loan for the project are currently being drafted by County staff and are anticipated to be considered for Board approval in October 2011.

Environmental Review

The Reservation Agreement (Santa Rita Village) is not subject to California Environmental Quality Act (CEQA) or National Environmental Policy Act (NEPA) review as they do not commit the County to these projects: They simply reserve the funding to be committed pursuant to future Board action. Future CEQA and NEPA compliance conditions are incorporated into both agreements. For Braddock House, HCD has conducted an Environmental Assessment meeting NEPA requirements and an Authority to Use Grant Funds (AUGF) was received from HUD on October 28, 2009. The project was found to be exempt under CEQA as an infill development. The finding of exemption was made by the Board of Supervisors at its June 16, 2009 hearing. For Rancho Hermosa, HCD conducted an Environmental Assessment meeting NEPA requirements and an AUGF was received from HUD on May 5, 2010. The

Board adopted the Mitigated Negative Declaration that was prepared by the City of Santa Maria for the project at its June 16, 2009 meeting.

Performance Measure:

Reporting requirements have been incorporated into each agreement, including quarterly submission of an updated budget, schedule, and status of local approvals, in order to allow the County to measure the performance of each project under the respective agreements.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State			
Federal			
Fees			
Other:			
Total		\$ -	\$ -

Narrative:

Ten percent of all HOME Program funds received are retained by County HCD for administration of the HOME Program, including preparation and execution of the subject agreements.

Staffing Impacts:

None.

Special Instructions:

- Execute three (3) original copies each of Attachments A, B and C and contact Brooke Welch at ext. 3521 to pick up two (2) original copies of each.
- Provide a copy of the minute order reflecting Board action.

Attachments:

- A) Santa Rita Village HOME Reservation Agreement
- B) Braddock House HOME Second Commitment Amendment
- C) Rancho Hermosa HOME Commitment Amendment

Authored by: Brooke Welch, Sr. Housing Program Specialist