



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 No.: 057
For Agenda Of: 2/16/16
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department George Chapjian, Community Services Director 568-2467
Director(s)
Contact Info: Dinah Lockhart, Deputy Director 568-3523
Laurie Baker, Grants and Program Manager 568-3521
SUBJECT: Los Adobes de Maria III Apartments – District 4
Reservation of HOME and/or In-Lieu funds

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Risk Management

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Approve a preliminary reservation of County funds for the Los Adobes de Maria III project that will (a) be in an amount not to exceed \$948,852; (b) consist of HOME funds and/or In-Lieu Funds in specific amounts to be determined by the Board at a later date; and (c) be released if People's Self-Help Housing Corporation does not receive notification of an award of state low-income housing tax credits for the project by September 30, 2016;
- b) Authorize the Director of Community Services Department to sign a letter to the project applicant indicating the approved reservation (Attachment A);
- c) Determine that the approval of the reservation is not the approval of a project that is subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15378(b)(4), finding that the actions are not a project as they are the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant impact on the environment, and direct staff to file a Notice of Exemption (Attachment B).

Summary Text:

Peoples’ Self-Help Housing Corporation (PSHHC) is requesting a reservation of \$948,852 from the County toward the development costs of Los Adobes de Maria III (Project), which will be located at 525 South Russell Avenue in the City of Santa Maria, District 4. The Project is the third phase of a rental housing complex developed by PSHHC for farm workers and their families. The County invested HOME funds in the second phase of Los Adobes de Maria in 2002.

A “reservation” is an understanding between the County and the applicant that a certain amount of funds will be earmarked for a specific project for a specific time period. Generally, a reservation is made to demonstrate the County’s support for a project while the applicant continues the process of securing all necessary funding for the project. As part of the review process, HCD staff and the County’s Capital Loan Committee establish milestones and a performance timetable for each project recommended for a reservation of funds. Where a reservation of funds is recommended for a high priority project that involves the applicant securing complex and/or multiple funding sources, an additional level of review by the Committee is required.

PSHHC plans to apply to the California Tax Credit Allocations Committee (CTCAC) for an allocation of low-income housing tax credits (LIHTC) on March 1, 2016, which will complete the financing needed for the project to go forward. PSHHC will resubmit an application in the second LIHTC funding round, generally in July, if the March application is unsuccessful.

PSHHC’s reservation application for the proposed Project was considered by two review committees prior to being submitted to the Board for consideration. An internal County committee consisting of HCD and staff from the Auditor Controller’s Office, fiscal staff with the Community Services Department and the former redevelopment agency reviewed the Project application. Staff then convened the County’s Capital Loan Committee (Committee) on January 11, 2016 to review the Project’s request for funding. Due to potential conflicts of interest, three voting members of the Capital Loan Committee requested to be recused. As a result, the Committee did not have a quorum and did not take formal action. However, the five remaining Committee members, consisting of two voting members and three non-voting advisory members, support the requested funding reservation, in the amount of \$948,852.

Notification of an award of LIHTC is expected by May for the March round of applications and by September for the July round of applications. If CTCAC awards an allocation of LIHTC to the Project, HCD staff will resubmit the Project to the Capital Loan Committee and the Board of Supervisors for final consideration of a funding award and execution of loan documents and other required regulatory agreements. The Committee and the Board will again have discretion on whether to approve the Project, what amount to approve, and whether the funds come from HOME or In-Lieu, or both.

Background:

Housing Development Funds. The County is the lead entity of the HOME Consortium, which consists of the County and the cities of Buellton, Solvang, Goleta and Carpinteria. (The cities of Lompoc and Santa Maria withdrew from participation in the HOME Consortium, effective July 1, 2016.)

The United States Congress appropriates funds for the HOME program annually, which is allocated to the County by the U.S. Department of Housing and Urban Development (HUD). The County then distributes the funds to its partner cities via formula, based on population and other factors. If the cities do not have projects ready to utilize the funds, then the County may commit those funds to other projects throughout the County. Projects that receive awards from federal funds (CDBG, HOME, and ESG) are included in the County's annual Action Plan, or in an amendment to the Annual Action Plan, that is submitted to HUD. Annual Action Plans and amendments are approved by the Board prior to submission to HUD.

The HOME and In-Lieu funds may be used for grants and loans for eligible uses under their respective program requirements.

HCD staff receives and reviews project applications and manages the process for approvals of funding reservations and commitments by the County Board of Supervisors. In addition, the County provided an opportunity for organizations to apply for HOME funds in its FY 2016-17 Notice of Funding Availability (NOFA) to administer programs, including tenant-based rental assistance (TBRA), homeowner rehab, and homebuyer assistance. Applications for affordable housing development are accepted on a year-round basis to account for the LIHTC application deadlines (generally held in March and July), timing of site control, and other market and financing considerations (Attachment C).

Los Adobes de Maria III (Project). Los Adobes de Maria III is the final phase of a three phase affordable rental housing complex located at W. Boone St. and S. Russell Ave. in the City of Santa Maria. It will provide thirty-four (34) two- and three-bedroom units of rental housing for farm workers and their families.

The Board approved a prior HOME reservation to the Project, which expired on September 30, 2015. PSHHC submitted applications to CTCAC in the March and July 2015 funding rounds but was not selected for an award of LIHTC in either round. The LIHTC process is very competitive and awards are based on scoring criteria that includes, in part, the amount of government subsidies provided to proposed projects. In addition, the geographic region in which Santa Barbara County projects compete is very large, which includes eight counties spanning from Ventura County to the south, to Santa Cruz County to the north.

PSHHC updated its application with HCD and included a request that the County renew its funding reservation of \$448,852 to the Project. PSHHC also requested an additional allocation of \$500,000 in County funds for a total funding reservation request of \$948,852. This will allow PSHHC to reduce the amount of LIHTC needed for the project and improve its scoring for consideration of an allocation of LIHTC. HCD's internal review team reviewed the Project's projected development budget and operating proforma and agreed that the proposed funding reservation from the County will improve the likelihood of a successful LIHTC award.

The following chart shows the projected total development costs and sources of funds to the Project.

<u>Development Costs</u>		<u>Funding Sources</u>	
Total Development Costs	\$15,332,263	First Mortgage	\$666,000
		USDA 514	\$3,000,000
		County of SB HOME	\$648,852
		City of SM CDBG	\$801,148
		County of SB In-Lieu Fees	\$300,000
		SB Housing Trust Fund	\$340,000
		Investor Contributions	\$8,945,162
		PV Credit	\$156,006
		Deferred Developer Fee	\$475,095
			<hr/>
			\$15,332,263

HCD staff presented the Project to the County’s Capital Loan Committee on January 11, 2016. There was not a quorum due to several members having recused themselves due to conflict-of-interest concerns. Several members have housing projects for which they also will apply to CTCAC for allocations of LIHTC in the March round and others also are considering funding requests or other services to the Project. The members present, including non-voting advisory members, supported staff’s recommendation that the Board of Supervisors approve a funding reservation of \$948,852. Staff also recommends the reservation be effective until September 30, 2016. This will allow PSHHC to apply to CTCAC in both 2016 LIHTC funding rounds, generally held in March and July.

If approved by the Board, PSHHC will be provided a letter from the County (Attachment A) to include with their application for LIHTC and/or other financing. If the Project is awarded LIHTC, HCD will review the Project’s development budget, taking into consideration the actual amount of LIHTCs awarded and other firm financing commitments, and determine whether the amount of funds previously reserved to the Project is warranted or if an adjustment is needed.

HCD staff will return to the Capital Loan Committee and Board with a recommendation of firm commitments of County funds to the Project and execution of County Loan Agreement and associated documents. The amount of funds from HOME and/or In-Lieu will be determined at that time, based on the amount of LIHTC awarded to the project, HOME commitment deadlines and best uses of available County funds. If HOME funds are recommended, an amendment to the County’s annual Action Plan will accompany the Board Letter and submitted to HUD upon approval. Amendments to annual Action Plans will require a 30-day public notice and public hearing before the County Board of Supervisors.

Performance Measure:

The funding reservation will be effective through September 30, 2016. If the Project is later provided a final award of County HOME and/or In-Lieu funds, the Project will produce 34 units of affordable rental housing in Santa Barbara County. The units will be monitored for continued affordability by the County for a period of twenty years. Staff will include in the final loan pro forma a budget line item to defray the costs of on-going required monitoring by the County.

Fiscal and Facilities Impacts:

Not Applicable

Fiscal Analysis:

The County has available HOME and In-Lieu funds in an amount sufficient to fund this project when it is later considered by the Board for a final funding award. HCD staff also may recommend that a certain portion of HOME funds (if used) be used to cover staff costs incurred to monitor the construction of the project. In addition, the County will charge the owner of the project an annual monitoring fee of \$2,500 to off-set staff costs to monitor the housing units for regulatory compliance, and cover costs for loan monitoring and servicing.

Key Contract Risks:

Not Applicable

Staffing Impacts:

The current requested activity falls within currently budgeted staff duties. However, a future commitment of HOME funds to this project will necessitate regulatory monitoring for a minimum of 20 years and fiscal monitoring for the term of the loan.

Special Instructions:

Please return a copy of the Minute Orders to Lucy Pendl at lpendl@co.santa-barbara.ca.us

Attachments:

- A. Notification Letter of Reservation of Funds
- B. CEQA Notice of Exemption
- C. Projects in HOME/In-Lieu pipeline