



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: Housing & Comm Dev.  
Department No.: 055  
For Agenda Of: 12/08/2009  
Placement: Administrative  
Estimated Tme:  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors

**FROM:** Department David Matson, Housing and Community Development  
Director(s) Interim Director, 568-2068

Contact Info: Carlos Jimenez, Division Chief, 568-3523

**SUBJECT:** Sumida Family L.P., Sumida Gardens HOME Loan Agreement, Second  
Supervisorial District

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**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 the final commitment of \$630,000 in HOME funds for permanent financing costs associated with the Sumida Gardens rental project (Second District).
- B. Approve and authorize the Chair of the Board of Supervisors to execute a Loan Agreement in the amount of \$630,000 (Attachment A) and Regulatory Agreement (Attachment B) for the Sumida Gardens project.
- C. Authorize the Director of Housing and Community Development to execute a Subordination Agreement at a future date, consistent with the conditions in section 2.11 of the Loan Agreement.

**Summary Text:**

At its June 3, 2009 meeting, the Santa Barbara County HOME Consortium (HOME Consortium) Affordable Housing Loan Committee recommended the commitment of \$630,000 in federal HOME funds for permanent financing costs associated with the Sumida Gardens rental project in the City of Goleta.

Pursuant to direction provided by the Board of Supervisors on June 16, 2009, the County entered into a Commitment Agreement with Sumida Family Limited Partnership to provide a HOME loan in the amount of \$630,000. The finalization of the HOME loan is subject to approval and authorization by the Board of Supervisors. If approved, the security instruments described in the Commitment Agreement

will allow the County to disburse the committed HOME funds to Sumida Gardens L.P. via an escrow process consistent with the conditions articulated in the Loan Agreement.

**Background:**

The County, as Lead Agency in the HOME Consortium, is responsible for negotiating and executing contracts on behalf of member cities. The City of Goleta, as a member of the HOME Consortium, receives an annual formula allocation of HOME funding over which they retain decision-making authority to reserve funds for projects. Currently, the City has opted to dedicate several years of accumulated HOME allocations for the Sumida Gardens project.

Located at 5505-5585 Sumida Gardens Lane, Sumida Gardens is a newly constructed 200-unit multi-family rental housing project offering one, two, and three bedroom units. Of the total 200 units, 34 units (17%) are affordable to very low, low, and moderate income households. Eleven of the 34 affordable units are designated as HOME-Assisted under the HOME Consortium and will be bound to the County's Regulatory Agreement enforcing the HOME program regulations and requirements. These eleven HOME units must be rented at levels affordable to very low-income households at or below 50% Area Median Income (AMI) for 20 years. The project, constructed by Michael Towbes Construction & Development, Inc., received its final Certificate of Occupancy in July of 2009.

The total development cost for the project was \$42,274,375. Major sources of funding include a \$30.5 million bank loan, \$250,000 of City of Goleta GTIP Reimbursement, \$5,000,000 in partner equity (land), \$2,959,216 in Goleta RDA funds, and a \$2,935,159 partnership loan (reimbursed through tax increment).

The HOME loan being considered by the Board will be subordinate to the existing construction loan with the provision that a future subordination agreement be executed upon the borrower acquiring permanent project financing through a private lender to be determined in an amount not to exceed 85% of the appraised value. The Subordination Agreement for permanent financing will be consistent with the terms in the Loan Agreement. The HOME loan will be in the form of a four and a half percent (4.5%) simple interest, 20-year term loan deferred for ten (10) years and amortized for 10 years thereafter. A payment schedule is incorporated into the Loan Agreement as Exhibit I. The terms of the Regulatory Agreement (Attachment B) governing the HOME Assisted units are consistent with HOME requirements and will enforce these requirements throughout the 20-year period of affordability. Prepayment of the Loan shall not affect the borrower's obligations under the Regulatory Agreement. Funds will be disbursed through an escrow following borrower's satisfaction of conditions precedent identified in the Loan Agreement, including submission of an updated appraisal.

Under HOME program regulations, permanent financing costs for a developed project are defined as a Categorically Excluded activity in terms of National Environmental Policy Act (NEPA) statute. Staff has completed the required environmental review documentation in this regard and the original copy is on file in the departmental Environmental Review Record. The project was found to be exempt under CEQA because it involves providing permanent financing for an existing facility. The finding of exemption was made by the Board of Supervisors at its June 16, 2009 hearing.

**Performance Measure:**

Safe and Healthy Families: Housing for all Segments of the Population.

**Fiscal and Facilities Impacts:**

Budgeted: Yes

**Fiscal Analysis:**

<b><u>Funding Sources</u></b>	<b><u>Current FY Cost:</u></b>	<b><u>Annualized On-going Cost:</u></b>	<b><u>Total One-Time Project Cost</u></b>
General Fund			
State			
Federal			\$ 630,000.00
Fees			
Other:			
Total	\$ -	\$ -	\$ 630,000.00

Narrative: Up to 10% of the total HOME Program federal grant is retained by the County for administrative costs related to administration and implementation of the HOME Program, including the Sumida Gardens project.

**Staffing Impacts:**

NA

**Special Instructions:**

Execute three (3) original copies of the Loan Agreement and two (2) original copies of the Regulatory Agreement (signature must be notarized for the Regulatory Agreement) and contact Brooke Welch at ext. 3521 to pick up two (2) copies of the Loan Agreement and one (1) copy of the Regulatory Agreement.

**Attachments:**

Attachment A: Sumida Gardens HOME Loan Agreement

Attachment B: Sumida Gardens HOME Regulatory Agreement

**Authored by:** Brooke Allen Welch, Sr. Housing Program Specialist