

# 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:** 08/1/05  
**Department Name:** Housing and Comm Dev  
**Department No.:** 550  
**Agenda Date:** 08/16/05  
**Placement:** Administrative  
**Estimate Time:** None  
**Continued Item:** NO  
**If Yes, date from:**

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**TO:** Redevelopment Agency Board of Directors

**FROM:** Edward Moses  
Housing and Community Development Department

**STAFF**

**CONTACT:** Patricia Gabel, ext. 3522

**SUBJECT:** El Encanto Apartments

**Recommendation(s):**

- 1) That the Redevelopment Agency Board of Directors approve, and direct the Chair to execute the Release of Regulatory Agreement and Restrictive Covenants for the El Encanto project located at 7388 Calle Real in what is now the City of Goleta in the 3<sup>rd</sup> District (Attachment 1).

## **Alignment with Board Strategic Plan:**

The recommendation(s) are primarily aligned with Goal No. 7. A Community that Fosters the Safety and Well-Being of Families and Children.

## **Executive Summary and Discussion:**

### PROJECT HISTORY

In 1998, Community Housing Corporation (CHC) entered into a Purchase Agreement to acquire a .94 acre site located at 7388 Calle Real in what is now the City of Goleta for an affordable housing project (El Encanto Apartments). The County awarded the project a \$50,000 Predevelopment Loan in August 1999 to prepare the studies and designs necessary for the project to move forward.

CHC successfully competed in the County's 1997 annual Notice of Funds Available (NOFA) process for funding and ultimately received \$366,500 of Isla Vista Project Area Redevelopment Agency (RDA) Housing Set-Aside funds on December 5, 2000. At that time, your Board adopted a Resolution finding that use of the funds outside of the Isla Vista Redevelopment Project Area would benefit the Project Area. The redevelopment loan was solely for the acquisition of the site. It was a 40-year loan at 3% interest with payments deferred for the first five years, but due and payable if an affordable rental development was not completed within five years of project approval or the date the property was sold. The terms of the loan were designed to protect the Agency's investment in the property if there was no future project while giving the not-for-profit developer time to complete design and processing of the project. The terms prohibited the

assignment of CHC's interest under the Loan Agreement without prior written consent of the County.

The project entailed the new construction of sixteen, 2 and 3 bedroom apartments owned and managed by CHC with rents at rates affordable to families at or below 60% of median income. Your Board gave land use approval for the project on July 3, 2001.

When the City of Goleta incorporated on February 1, 2002, CHC had not completed the Land Use Permit approval process, which then came under the jurisdiction of the new City. Neighboring property owners who had opposed the project threatened litigation it. Based upon this opposition and the apparent lack of support given to it by the City of Goleta, CHC determined that it was economically infeasible to proceed with the project and discontinued efforts to obtain permits from the City.

County staff called a meeting on December 16, 2003 with CHC to clarify the status of the project and repayment of the Agency loan. At that time County staff were informed that CHC was entering into a purchase agreement with a potential buyer with payments tied to the development of a new project to be processed through the City of Goleta. As a result of this effort, the CHC repaid the County \$50,000 on June 13, 2005 which the County applied as repayment of the predevelopment loan.

#### CURRENT REQUEST

When the Redevelopment Agency provided CHC with the loan for site acquisition, the Agency and CHC executed a Regulatory Agreement and Declaration of Restrictive Covenants to ensure that the project would remain an affordable housing project and a loan agreement which also contained affordability provisions. In addition, as a condition of land use approval, CHC executed a restrictive housing covenant with the County to fulfill its inclusionary housing requirements and entitle it to additional land use benefits. The Release of Regulatory Agreement and Restrictive Covenants that is before you as the attachment to this Board letter will satisfy this request and allow the property to be resold without these encumbrances. Both the County and the Redevelopment Agency are parties to the Release because they each have independent housing restrictions on the property.

Staff recommends that the attached Release be executed so that the property can be resold, the Redevelopment Agency can be repaid, and the loan proceeds can be used for the development or rehabilitation of other housing projects serving low and moderate income persons and families. It is important to note that this Release will be recorded immediately but will only be effective upon full repayment by Borrower of the Loan as conclusively evidenced by the recordation of a reconveyance of the Deed of Trust that secures the Redevelopment Agency loan. The not – for – profit seller will utilize any excess proceeds to replenish their affordable housing predevelopment funding originally invested in this project.

#### **Mandates and Service Levels:**

No changes to programs or service levels.

#### **Fiscal and Facilities Impacts:**

Removal of the affordability restrictions on the property now under the auspices of the City of Goleta will facilitate the sale of the property and the repayment of the Redevelopment Agency loan. These funds will be utilized for future affordable housing projects in the redevelopment area. Reference D-258 for Housing Finance Division budget detail.

**Special Instructions:**

Record the attached Release of Regulatory Agreement and Restrictive Covenants in the Office of the County Recorder immediately and send a conformed copy to Pat Gabel in the Department of Housing and Community Development.

**Concurrence:**

County Counsel