



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  
**Department No.:** 057  
**For Agenda Of:** July 16, 2024  
**Placement:** Administrative  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

**TO:** Board of Supervisors

**FROM:** Department Jesús Armas, Director, Community Services Department, (805) 568-2467  
Director(s)  
Contact Info: Joe Dzvonic, Deputy Director, Housing and Community Development Division, (805) 568-3524  
Lucille Boss, Interim Housing and Programs Manager, Housing and Community Division

**SUBJECT:** County Loan Documents and Subordination Agreement for the Patterson Point Apartments and approval of a Substantial Amendment to Santa Barbara County’s 2021-22 Annual Action Plan (2nd Supervisorial District)

**County Counsel Concurrence**

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

- a) Approve a Substantial Amendment to the FY 2021-22 Action Plan (Attachment F), which adds One Million, Seventy-Two Thousand Eight Hundred Ninety-Nine Dollars and Fifty-Seven Cents (\$1,072,899.57) in HOME Funds for the Project, and direct staff to submit the Substantial Amendment to the U.S Department of Housing and Urban Development (HUD); and
- b) Approve execution by the Board Chair of a County Project Loan Agreement (Attachment A); and Regulatory Agreement (Attachment B); setting forth terms, conditions and requirements attendant to Developer’s acceptance of the County’s Project Loan; and
- c) Approve execution by the Board Chair of a Project Subordination Agreement (Attachment E), wherein the County agrees to subordinate its Project Loan to a Project construction loan provided by Banc of California and;
- d) Determine that the approval of this Item is not subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to California Government Code Section 65913.4(d)(2) as it being developed subject to SB35 and provides affordable multi-family rental housing opportunities.

**Summary Text:**

The recommended actions approve a Loan Agreement and Regulatory Agreement in the amount of \$1,488,000 with Patterson Point Limited Partnership (“Developer”). The Loan Agreement is proposed to be funded with \$1,072,899.57 in HOME funds and \$415,100.43 in County Permanent Local Housing Allocation (PLHA) Funds. Board action also includes approval and submittal to HUD, a Substantial Amendment to Santa Barbara County’s 2021-22 Annual Action Plan (Attachment H), allocating \$1,072,899.57 in HOME funds to the Project. In consideration of a Project construction loan provided by Banc of California (Senior Lender), this Item also requests Board approval for execution of a Project Senior Lender Subordination Agreement confirming and articulating County and Senior Lender’s position, interests and legal requirements associated with future (re)payment on respective loans.

**Background:**

This Project is being developed pursuant to SB35, which allows by-right development of affordable housing under ministerial review.

The Developer has been successful in acquiring financial resources to complete the Project budget, and has received a total of \$6,725,459 in State of California Housing and Community Development Department (“State HCD”) funding: \$4,400,000 and \$2,325,459, respectively, under State HCD’s Housing for a Healthy California (HHC), and No Place Like Home (NPLH), programs. On June 27, 2023, the Board of Supervisors conducted a Tax Equity and Fiscal Responsibility Act TEFRA Hearing, adopting Resolution 23-154, approving issuance of the Multi-Family Housing Revenue Obligation Bonds for the Project. The County Housing Authority served as Issuer.

Under the County’s 2023-24 Notice of Funding Availability (NOFA), the Developer applied for Project funds. On March 30, 2023, the Santa Barbara County Capital Loan Committee (CLC) recommended an allocation of \$1,488,000, representing \$1,072,899.57 in HOME funds and \$415,100.43 in PLHA Funds. The allocation of these funds will be in the form of a County Loan secured by a Promissory Note (Attachment D) and Deed of Trust (Attachment C) executed prior by the Project developer.

On August 29, 2023 the Board of Supervisors approved providing the Developer a Funding Reservation Letter for County affordable housing funds. On September 6, 2023, the Developer applied to the California Debt Limit Allocation Committee (CDLAC), and Tax Credit Allocation Committee (CTCAC), for bond and tax credit financing. On December 6, 2023, CDLAC and CTCAC awarded tax-exempt bonds and 4% state tax-credits to the development. Pursuant to this, the project had until June 6<sup>th</sup>, 2024 to commence construction. This deadline has since been extended to September 16, 2024

A description of the Project scope of work, budget (Table1), and schedule follows.

***Project Description and Scope of Work:***

Patterson Point is a two-story, new construction affordable multi-family housing development located on a .54-acre vacant land parcel at the corner of Patterson Avenue and Highway 101 in unincorporated south Santa Barbara County. It includes 24 studio apartment rental units, one of which is reserved for an on-site property manager. The Project will provide housing for very-low and low-income County residents with a history of being chronically homeless, who may have mental and/or physical disabilities, and a history of being high-frequency users of medical services, emergency rooms, ambulances, and other public resources. The Project incorporates non-residential supportive services space to serve its residents.

Each studio apartment will have its own temperature control and kitchen facility, and all units will be fully ADA accessible. An elevator will be provided to accommodate mobility-impaired residents and visitors with disabilities. Shared space includes a community room, non-commercial kitchen, two restrooms and a common

laundry room. The Project will be built to “net zero” energy standards, and include rooftop solar panels. In terms of construction, the building base will be modular, with site-built custom siding, balconies and roof. Modular construction uses highest industry standards for construction materials and insulation, and all units must pass a State construction inspection at the factory prior to being approved for transport and installation at the project site.

**Table 1: Project Funding Sources:**

Sources	Amount
Permanent Loan Limited Partner Investor Tax-Credit Equity	\$10,935,712*
State HCD Housing for a Healthy California (HHC)	\$4,400,000
State HCD No Place Like Home (NPLH)	\$2,325,459
Permanent Financing Loan	\$2,769,255*
County HOME/PLHA	\$1,488,000
Deferred Developer Fee	\$465,872
<b>Total Sources</b>	<b>\$22,384,298*</b>

\*Construction costs may increase, requiring additional funding from Permanent Loan Limited Partner Investor Tax-Credit Equity, and/or Permanent Financing Loan.

**Project Schedule:**

Contingent on the requirement to issue a Project Notice to Proceed with construction no later than September 16, 2024, and assuming an 18-month construction schedule, Project completion is projected to occur during the first quarter of 2026, with full lease-up anticipated within ninety (90), days of Project completion, likely in the second quarter of 2026.

**Performance Measure:**

Pursuant to HOME program requirements, County staff will monitor tenant incomes, rents, property standards and related compliance for a minimum 20-year period. The developer has incorporated a \$2,500 line-item into the Project annual operating budget to cover county staff monitoring costs. The Project will advance the County’s Regional Housing Needs Assessment (RHNA) goals in its General Plan Housing Element.

**Fiscal and Facilities Impacts:**

Budgeted: Yes

**Fiscal Analysis:**

<b>Funding Sources</b>	<b>Current FY Cost:</b>	<b>Annualized On-going Cost:</b>	<b>Total One-Time Project Cost</b>
General Fund			
State			\$ 415,100.43
Federal			\$ 1,072,899.57
Fees			
Other:			
Total	\$ -	\$ -	\$ 1,488,000.00

**Key Contract Risks:**

The Project has received an allocation of bonds and tax credits, all other Project funding is currently in place, and lender and investors have conducted due diligence regarding Project underwriting and risks. However, in the

unlikely event that the Project is not completed, or is foreclosed upon by Senior Lender(s), prioritization of the Senior Loans and rights and remedies of Senior Lenders over those of the County pursuant to the Project Subordination Agreements may preclude full, partial or any repayment of the County Loan, and the County may then be obligated to reimburse HUD using other funds.

**Staffing Impacts:**

This activity falls within currently budgeted staff duties. Existing County HCD staff will monitor Project and Borrower compliance with the provisions of the Regulatory Agreement for a minimum of 20 years, and fiscal monitoring will continue for the 55-year term of the County Loan. The Project financial projections include a line item in the amount of \$2,500 for annual County monitoring for the period of the County loan term.

**Special Instructions:**

1. Please return a copy of the Minute Order to Carlos Jimenez, at [cjimenez@countyofsb.org](mailto:cjimenez@countyofsb.org).
2. Please execute each of the following and hold **a copy** for pick up by Carlos Jimenez. Please email or call 8-3529 when ready for pickup:
  - a. Please execute two original signature HOME Loan Agreement (Attachment A). Please hold for pick up one copy **with original signatures** and retain one original signature copy for COB records.
3. Please hold for pick up one HOME Deed of Trust (Attachment D) **with original signature** for recording in the County's real estate records and retain one original signature copy for COB records. After recording, a recorded copy will be returned to COB for its files.
4. Please execute two HOME Regulatory Agreements (Attachment B) **with original signatures**. Please hold for pick up one copy with original signatures and retain one original signature copy for COB records. After recording, a recorded copy will be returned to COB for its files. Please provide Clerk of the Board Acknowledgement as to signature for this document subject to recordation.
5. Please retain the HOME Promissory Note signed by Borrower (Attachment C) in COB records, and hold a COPY for pick up.
6. Please execute two Banc of California Subordination Agreement (Attachment E) **with original signatures**. Please hold for pick up one copy for recording in the County's real estate records and retain one original copy for COB records. After recording, a recorded copy will be returned to Clerk of the Board for its files. Please provide Clerk of the Board Acknowledgement as to signature for this document subject to recordation.

Please email or call Carlos Jimenez at [cjimenez@countyofsb.org](mailto:cjimenez@countyofsb.org) or 8-3529 when documents are ready for pickup.

**Attachments:**

- A. Project Loan Agreement
- B. Project Regulatory Agreement
- C. Project Promissory Note
- D. Project Deed of Trust
- E. Banc of California Subordination Agreement
- F. 2021-22 Action Plan Substantial Amendment

**Authored by:**

Carlos Jimenez, Jr., Housing Program Specialist