

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: 09/13/05
Department: Housing and Community Dev.
Budget Unit: 055
Agenda Date: 11/8/05
Placement: Administrative
Estimate Time: None
Continued Item: No
If Yes, date from:

TO: Board of Supervisors

FROM: Edward Moses
Housing and Community Development Department
Housing Finance and Services Division

STAFF

CONTACT: Patricia Gabel, ext. 3522

SUBJECT: Investigation of Three Potential Housing Finance Program Tools

Recommendation(s):

Request that the Board of Supervisors set a 60 minute hearing on November 15, 2005 to consider directing the Housing and Community Development Department to complete a thorough analysis of three potential Housing Finance Tools and return with specific recommendations.

Alignment with Board Strategic Plan:

The recommendation is primarily aligned with Goals No. 5 and No. 7. Maintain and Enhance the Quality of Life for all Residents, and Strengthen the Safety and Well-Being of Children and Their Families to Ensure a Strong Future for our Community.

Executive Summary and Discussion:

In July 2004 the Board – appointed County Housing Advisory Committee (HAC) recommended that Housing and Community Development Department (HCD) staff research the financing tools necessary to expand the housing opportunities available in Santa Barbara County. During the June 21, 2005 Board presentation by HCD, a list of potential financing tools HCD has identified as having the most potential for providing housing opportunities was discussed. HCD now brings to the Board our request to commit staff and resources for a thorough analysis and formulation of recommendations of three of the tools to provide affordable housing opportunities presented at the Board hearing:

County Mortgage Revenue Conduit Bond Financing - As the HAC recommend, HCD desires to evaluate the feasibility of development of price restricted homes affordable to low and moderate income and workforce families [80%, 120% and 200% of AMI (area median income - \$64,700 for family of four)] as part the analysis. The addition of workforce (121% to 200% of area median income) as a category for affordable housing was featured on page 35 of the County’s Board – adopted 2005 Housing Element: “In addition to the income categories designated by State HCD, the county recognizes the need for “workforce” housing, that is, those households earning 121 to 200 percent of median income. Because of the high cost of housing in Santa Barbara

County and particularly the South Coast, many households in this income category also overpay for housing and are in need of affordable housing options.

According to the National Association of Home Builders/Wells Fargo Housing Opportunity Index, Santa Barbara County earned the dubious honor of being the least affordable housing market in the nation where 4.9 percent of the housing is affordable to families earning the median household income of \$64,700. The Housing Element includes specific programs and policies aimed at encouraging the development of workforce housing along with other types of affordable housing, though currently the workforce housing category is not eligible for state or federal funding.

Researching County bond issuance as a potential financial tool is established as a goal in the County's Housing Element as well as a recommendation from the Housing Advisory Committee. HCD wishes to test the feasibility of County bond issuance to provide mortgage financing for the low and moderate income families. Tax exempt bonds could be available to supply mortgage opportunities for families at or below 80% of area median income. Taxable bonds could be available for families at or below 120%. HCD wishes to consider the feasibility of the County partnering with a local lending institution that could provide the individual home mortgages. *The homebuyer's monthly payment of their home mortgage would go directly toward payment of the bond.* The financial assumptions include that the workforce homeowners would qualify for home mortgages through bank financing.

Land Lease - An important investigation to pursue further is the potential of leasing County – owned land in order to take the cost of land out of an attainable residential development. A thorough analysis of the liability and costs to the County versus benefits is essential.

HCD conducted a preliminary investigation of this tool with the assistance of staff from the Auditor – Controller's Office, the General Services Department and National Development Council. We reviewed successful implementations of employee housing using a land lease include California State University at Channel Islands, Fullerton and Monterey Bay were researched as well as the St. Francis Hospital conversion being implemented by the Cottage Hospital Foundation and Santa Barbara Unified School District's current investigation.

The concept of housing on County – owned land is not new. As early as 2002 (Ordinance #4452) in the Office of the County Architect's Facilities Policy Framework – County Facilities Master Planning, the Board of Supervisors had approved the concept of including housing opportunities on County – owned land. This ordinance was produced after extensive citizen participation through public meetings. In addition, much public discussion around housing issues has focused on the County leading the way on its own property.

Community Development Corporation (CDC) Formation - HCD hopes to research the potential of establishing a separate not-for-profit 501(c) 3 organization to meet several goals. Part of the analysis would be the feasibility of managing the land lease through a single asset ownership corporation or other structure that could maintain County control over the housing program. As part of this program, the County would receive rental payments for the use of the land. A County CDC could serve as the single asset ownership corporation for leased county land. One avenue of research could focus on the CDC possibly overseeing the resale of units on county owned land to assure continued affordability and the mechanisms required to do so.

Another benefit of a potential CDC HCD wishes to research is the CDC's ability raise economic development activity funds that could further enable HCD to carry out its mission of providing business opportunities for County Residents. By establishing a CDC, this "new" entity could have the ability to obtain Foundation, State and Federal funds not available to jurisdictions.

Mandates and Service Levels:

None

Fiscal and Facilities Impacts:

There are no fiscal and facilities impacts with this proposal other than the cost of staff time which would vary with the extent of analysis and public process involved in developing the concept and exploring the options. However, the full impact of a potential housing development on County – owned land would be included as part of an investigation. The Board letter provides further detail to summary of department housing programs provided on page D-248 of the proposed 04/05 budget.

Concurrences:

Auditor-Controller

Special Instructions:

None