

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
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Agenda Number:
Prepared on: 9/5/02
Department Name: County Administrator
Department No.: 012
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Continued Item: YES
If Yes, date from: 9/17/02

TO: Board of Supervisors

FROM: Michael F. Brown, County Administrator
Ron Cortez, Director of General Services

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Melinda Floyd, Management Specialist

SUBJECT: Potential Uses for the Garden Street Parking Lot (1st District)

Recommendations:

That the Board of Supervisors:

- A. Receive a report regarding the potential uses of the County-owned Garden Street Parking Lot.
- B. Provide policy direction for the use of the Garden Street Parking Lot parcel:
 - i) Parking and Affordable Housing
 - ii) Parking and County Office Space or
 - iii) Mixed-Use (Parking/Office/Affordable Housing).
- C. Direct staff to return with the detailed analysis and financial impact of the Board directed option.

Alignment with Board Strategic Plan:

The recommendation is primarily aligned with Goal No. 1. An Efficient Government Able to Respond Effectively to the Needs of the Community.

Executive Summary and Discussion:

On 11/6/2001, the Board of Supervisors authorized the County Treasurer-Tax Collector to execute the issuance of non-taxable 2001 Certificates of Participation (COP's) for eight projects including a multi-story parking structure located in down town Santa Barbara on the county-owned Garden Street parking lot. The issuance took place on December 1, 2001 with \$2.2 million specifically allocated to the parking facility. The parking structure project was necessitated by the District Attorney building project, another one of the eight projects funded with COPs. (The

District Attorney building will be located on the existing juror parking lot and this required the establishment of the parking structure to accommodate new juror parking.)

The design plans for the parking structure make it possible for approximately 10,000 square feet of the existing parking lot to be used for some alternative use (see attached APN map). The alternative uses for this potential surplus land and/or allowable air space on the Garden Street parcel could include affordable housing, office space, or a combination of office space and affordable housing through a mixed-use project.

Option #1 Affordable Housing

Based upon preliminary analysis, the remaining portion of the Garden street frontage could be subdivided and developed to accommodate twelve affordable housing units with parking on the ground floor. The structure is limited to three above ground levels to fit the size and scale of the neighborhood, and because the site falls within the historical landmark district. There are other potential methods for combining affordable housing through the use of air easements, although staff is concerned that construction of units above the parking structure may be cost prohibitive.

The County, as a matter of current policy, does not own or develop affordable housing but could potentially provide a subsidy for a third party to develop the parcel as affordable units. Although the parcel is located in the City of Santa Barbara (outside the Redevelopment area), the County may be able to negotiate partial Regional Housing Needs Assessment (RHNA) credit for developing units on County owned land. County Counsel is researching the legalities of trading credits between jurisdictions. The RHNA program requires that the various jurisdictions within the County meet targets regarding affordable housing. For the 2003 Housing Element, preliminary estimates show that the County is expected to plan for 1,592 Very Low Income; 1,128 Low Income; 927 Moderate Income; and 2,987 Above Moderate Income units, which will be challenging. It is possible that a 50/50 split of credits, much like the Mercy Housing Project, could be achieved, which would result in a RHNA credit of five or six units.

If providing the land is not a sufficient funding source to finance the affordability gap, it is possible that the County could apply to the HOME Consortium and compete for some of the unincorporated County allocation. It is important to note, however, that HOME funding limits occupancy to persons at 60% and 50% of area median income with a few units at 80% of area median income. All 2002 HOME funds have been allocated for various projects. Applications for future HOME allocations will be extremely competitive since projects such as St. Vincent, Mercy Housing project will be competing for those funds. Staff will continue to research available financing sources. Based upon preliminary discussions with the City of Santa Barbara it appears that the City may be interested in pursuing a joint City-County affordable housing project on this site. The City potentially could use some Redevelopment funds to contribute to the gap financing as there are legal provisions that allow the expenditure of Redevelopment Agency funds outside the physical border if the benefit directly impacts the Redevelopment area.

Although County General Funds are limited (even more so due to State budget cuts) and there is no existing allocation for housing, they are also a potential funding source for housing. One benefit of using 100% discretionary funds for a project is that the County would not be restricted as to income targets and could potentially choose to fund a portion of the project for workforce housing. There is increasing interest in "workforce housing" but there are extremely limited funds available in the Housing Finance budget for such projects because Federal and State policy dictates that low income and very-low income subsidies are higher in priority.

If it is determined that the Garden Street parcel should be used to help finance more affordable units, another option that the Board may consider would be to sell a portion of the parcel at fair market value and use the funds to leverage other affordable housing projects in the unincorporated area. This would afford the County potential for full RHNA credit and also take advantage of the relative high cost of the Garden Street parcel due to its downtown location.

Option #2 Consolidate County Leased Facilities into a Office Structure Adjacent to the Garden Street Lot

Currently, the County occupies over a dozen leases in the City of Santa Barbara. As the property values increase over time it becomes increasingly expensive to rent space in the downtown area. Specifically, landlords must cover the cost of property tax and desire to make a profit, neither of which would be costs if the County owned the land. The footprint of the parcel would allow for an addition of 12,000 square feet of office space with parking on the ground level. The approximate cost for the structure would be \$2.8 million with debt payments of \$217,000 per year. This option could potentially consolidate four existing leases into the proposed structure thus creating a revenue stream of \$292,056 per year in saved lease expenditure. Over a twenty year period, assuming inflation of commercial leases grow at 3% per year, the total funds expended on leases payments would be \$7.8 million. The total funds expended if the leases were consolidated into an office facility would thereby save \$3.5 million dollars compared to the cost of remaining in leased space, with equity at the end of the twenty years. The Board could potentially redirect the lease savings to as yet unidentified affordable housing projects as local match for leveraging grants and HUD programs.

Option #3 Mixed-Use

Mixed-Use is the most complicated option but could potentially accommodate various opportunities. Since the financing structure for commercial development and affordable housing are different, this option requires two separate structured financings. At this time, it is difficult to determine whether the project would be economically feasible using the Garden street frontage alone since the economies of scale for affordable housing would be diminished. In addition, this option would require a lot split into three separate lots: 1) Parking, 2) Office Space and 3) Affordable Housing. This option would require additional analysis with the Surveyor to record a map and create an easement for parking and a permit with the City of Santa Barbara to record the lot split. Staff is confident that if the City becomes a partner on the affordable housing project, the permitting would be expedited. Staff could pursue other options to expand the scope of the project to allow for additional height or footprint which might mitigate the economies of scale issue. Although complicated, staff considers mixed-use a potentially viable alternative use of the Garden street parcel or future County owned parcels.

Other Impacts

During the duration of any study period, the Garden Street Parking Structure project is essentially on hold. This delay would impact the Courts and the juror parking lot. The jurors have been provided replacement parking but additional parking would be delayed until construction of the parking structure. To the extent the County increases the height or footprint for the project, impacts would include additional costs for a redrafting of plans and delay in construction. The delay in construction, however, may be beneficial in light of the recent one-year delay of the Granada Parking Structure by the City. The County may want to consider pacing the Garden Street parking structure so both parking structures are not under construction at the same time, causing a strain on parking in the outlying neighborhoods.

Additional research will be required irrespective of which option is selected by the Board. Staff expects to return within four months with finalized plans once the Board has set priorities.

Mandates and Service Levels:

There are no specific mandates related to the use of county-owned property.

Fiscal and Facilities Impacts:

The project selected will have subsequent financial impacts depending upon the policy direction by the Board.