



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 No.:** 057  
**For Agenda Of:** November 7, 2023  
**Placement:** Administrative  
**Estimated Time:** N/A  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors  
**FROM:** Department George Chapjian, CSD Director (805) 568-2467  
Director(s)  
Contact Info: Joe Dzvonik, Deputy Director, Housing and Community  
Development, (805) 568-3523  
Laurie Baker, Housing and Programs Manager, (805) 568-3521

**SUBJECT:** **Approval and execution of Buellton Garden Apartments Affordable Housing Development (“Project”) County Loan Documents that include \$1,500,000 in County funds and associated Subordination Agreements, and approval of a Substantial Amendment to the FY 2022-23 Annual Action, 3<sup>rd</sup> Supervisorial District**

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**County Counsel Concurrence**

As to form: Yes

**Other Concurrence:**

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 2022-23 Action Plan (Attachment A), which adds One Million, Two Hundred Fifty-Four Thousand, Three Hundred Fifty-Two Dollars (\$1,254,352.00) in HOME Funds for a loan to Buellton Garden Apartments, L.P. for development of the Project located at 10 McMurray Road in the City of Buellton, and direct staff to submit the Substantial Amendment to the U.S Department of Housing and Urban Development (HUD);
- b) Approve a County Loan Agreement (Attachment B), Promissory Note (Attachment C), County Deed of Trust (Attachment D), and County Regulatory Agreement (Attachment E) (collectively, the County Loan Documents) memorializing the terms and conditions of a \$1,500,000 loan to Buellton Garden Apartments, L.P. (Loan), of which \$1,254,352.00 is from the County’s allocation of Federal HOME funds, and \$245,648.00 is from the County’s allocation of State Permanent Local Housing Allocation (PLHA) funds; and

- c) Authorize the Chair of the Board to execute the County Loan Agreement (Attachment B) and County Regulatory Agreement (Attachment E); and
- d) Approve and Authorize the Chair of the Board to execute a Subordination Agreement, subordinating the County Deed of Trust to a loan by Wells Fargo Bank (Attachment F); and
- e) Approve and Authorize the Chair of the Board to execute a Subordination Agreement, subordinating the County Deed of Trust and County Regulatory Agreement to a loan by the State of California Housing and Community Development Department through the Joe Serna Farmworker Housing Program and through the Multi-Family Housing Program (State Subordination Agreement), in a form substantially similar to the document attached hereto (Attachment H) and approved as to form by County Counsel; and
- f) Find that a Mitigated Negative Declaration for the Project was prepared in accordance with Sections 15070-15074 of the CEQA guidelines (Attachment G).

**Summary Text:**

Peoples' Self-Help Housing Corporation (PSSHC) will be constructing Buellton Gardens Apartments, an affordable housing project located on a 3-acre site at 10 and 12 McMurray Road, in the City of Buellton. PSHHC applied to County HCD for an award of funds to be used toward the construction cost of the project. Staff recommends approval as well as the Capital Loan Committee, which considered the project at its February 16, 2023 Committee meeting and moved to recommend funding to the project.

The Recommended Actions authorize approval and execution of County loan documents for a \$1,500,000 County Loan to Buellton Garden Apartments, L.P. for the development costs of the Buellton Garden Apartments development (Project), comprised of \$1,254,352 in Federal HOME funds, and \$245,648 in PLHA funds.

The Recommended Actions also include approving and executing subordination agreements that subordinate the County Loan Documents to: 1) Wells Fargo construction loan and California Community Reinvestment Corporation (CCRC) permanent loan (Wells Fargo Bank Subordination Agreement) and 2) State of California Joe Serna Farmworker Housing Program and Multi-Family Housing program loan (State Subordination Agreement).

In addition, the Recommended Actions approve and authorize the submittal to HUD of a Substantial Amendment to the FY 2022-23 Action Plan, adding the \$1,254,352 in HOME funds. HOME funds are allocated annually to the County HOME Consortium, consisting of the unincorporated County and the cities of Carpinteria, Buellton, Solvang, Goleta, Lompoc, and Santa Maria. State PLHA funds are provided annually by the State of California to the County PLHA Consortium, consisting of the unincorporated County and the cities of Carpinteria, Buellton, Solvang, Goleta and Santa Maria.

**Background:**

The Project entails new construction of an affordable housing development located on a 3-acre site at 10 and 12 McMurray Road, in the City of Buellton. The Project has an approved development plan issued by the City of Buellton, and was awarded \$32,344,144 in State of California Low-Income Housing Tax Credits on May 10, 2023. The County is providing a loan of \$1.5 Million to Buellton Garden Apartments, L.P. (Borrower) for the Project, comprised of \$1,254,352 in federal HOME funds, and \$245,648 in PLHA

funds. The Loan is in the form of a 3% simple interest, 55-year term loan, with payment from Project residual receipts once the Project is completed and operational. Project construction is expected to begin in November 2023. Santa Barbara County’s Capital Loan Committee recommended the County funding for the Project at its February 16, 2023 meeting. Peoples’ Self Help Housing will provide property management services for the Project.

Buellton Garden Apartments will provide 89 housing units, of which 88 will be occupied by low-income households with incomes ranging between 30% to 50% of the area median income (AMI). Of these 89 total units, there will be 30 one-bedroom, 37 two-bedroom, and 22 three-bedroom units. One two-bedroom unit is reserved for on-site property management. The Project will assist low-income homeless veterans, families, and farmworkers, among other low-income households. The Project design incorporates a 4,230 square foot community building, and 1,345 square foot learning center available to residents of the Project apartments. Six units will be restricted by the County subject to the County Regulatory Agreement. Current rent limits for the units are in the chart below.

Income Level	1-bdrm	2-bdrm	3-bdrm
30% AMI	\$786	\$943	\$1,089
40% AMI	\$1,048	\$1,258	\$1,453
50% AMI	\$1,310	\$1,572	\$1,816

With a projected 24-month construction schedule, the Project is projected to receive certificates of occupancy from the City of Buellton by October 2025, and be fully leased-up by the end of 2025.

Total Project Development Costs will be approximately \$66,927,847. Project construction sources are listed below.

State of California Tax Credits	\$ 29,418,055
State of California Multi-Family Housing Program	\$ 19,155,000
General Partner Certificated Tax Credits	\$ 6,028,022
State of California Joe Serna Farmworker Funds	\$ 5,260,770
Tax Exempt Wells Fargo Loan*	\$ 4,266,000
<b>Santa Barbara County Loan</b>	<b>\$ 1,500,000</b>
Deferred Developer Fee	\$ 1,300,000
<b>TOTAL</b>	<b>\$ 66,927,847</b>

*\*The total construction loan is \$43,530,035. Tax credits and other sources will reduce the loan to the \$4,266,000 permanent loan as those funds are paid in.*

**Performance Measure:**

The Project will be monitored for compliance with the County Regulatory Agreement for the 55-year period of affordability, and the Loan and required repayments will be monitored for the duration of the 55-year Loan term. The County will charge Borrower an annual \$2,500 fee, increasing annually by 3%, to offset staff costs for monitoring. County monitoring will include an annual review of the Borrower’s audited financial statements and roster of County-assisted units indicating the number and location of such units and associated rents. At least every three years, a site visit will be conducted to inspect the units for compliance with HUD’s Housing Quality Standards, and tenant files will be reviewed for compliance with income, lease, and rent requirements. The State of California Tax Credit Allocation Committee will also monitor the Project for 55 years to ensure that all 88 units remain affordable.

**Fiscal and Facilities Impacts:**

N/A

**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			
Local Funds			\$ 245,648.00
Federal			\$ 1,254,352.00
Fees			
	\$ -	\$ -	\$ 1,500,000.00

**Key Contract Risks:**

The State and HUD could require the County to repay, with non-federal funds, HOME and/or PLHA funds expended for ineligible expenses. The Loan funds are to be provided on a cost-reimbursement basis for eligible expenses as set forth in the County Loan Documents, and Housing and Community Development (HCD) staff will review each Borrower reimbursement request to ensure the eligibility of such expenses.

HCD staff has evaluated the risks associated with the Project and determined that such risks are reasonable and within industry standards, and safeguards are in place to prevent and/or mitigate risks. Projects that receive low-income housing tax credits are subject to ongoing financial and property compliance monitoring by the State to meet the State compliance period of fifty-five years. The Project is fully vetted and underwritten by the tax credit investor(s), as well as construction and permanent lenders, thus mitigating risk for all parties and ensuring ongoing financial feasibility. Due to the Bank Subordination Agreement, in the event of Borrower default and bank foreclosure under the Senior Loan documents and breach of PLHA or HOME requirements, the State could require the County to repay the State in the amount of the Loan, and the County would be unlikely to have any proceeds from the sale of the Property with which to fulfill such repayment obligation.

**Staffing Impacts:** N/A

**Special Instructions:**

Upon execution by all parties the Community Services Department will return a fully executed agreement to the Clerk of the Board for retention in the record.

**Documents to be signed by Board Chair**

1. Please have the Board Chair execute one original ***Loan Agreement*** (Attachment B); retain the original in COB files and email a scanned copy to [cjimenez@countyofsb.org](mailto:cjimenez@countyofsb.org).
2. Please have the Board Chair execute one original ***Regulatory Agreement*** (Attachment E). Signature must be notarized\*. ***Return the notarized original*** to Carlos Jimenez for recording in the County’s Real Estate/Official records. Please email or call when ready for pick up: (805) 568-3529 [cjimenez@countyofsb.org](mailto:cjimenez@countyofsb.org). The original (or a conformed copy) will be returned to COB for their records following recording.
3. Please ***return the original*** State Subordination Agreement (Attachment H) to Carlos Jimenez for recording in the County’s Real Estate/Official records. Signature must be notarized\*. Please email

or call when ready for pick up: (805) 568-3529 [cjimenez@countyofsb.org](mailto:cjimenez@countyofsb.org). The original (or a conformed copy) will be returned to COB for their records following recording.

4. Please **return the original** Wells Fargo Bank Subordination Agreement (Attachment F) to Carlos Jimenez for recording in the County's Real Estate/Official records. Signature must be notarized\*. Please email or call when ready for pick up: (805) 568-3529 [cjimenez@countyofsb.org](mailto:cjimenez@countyofsb.org). The original (or a conformed copy) will be returned to COB for their records following recording.

\*If acknowledged by the Clerk of the Board staff, please include a signed acknowledgment form in addition to the embossment. Alternatively, an HCD notary will contact COB to arrange for a notarized signature.

#### Documents not signed by Board Chair

1. Please retain the original Promissory Note (Attachment C) in COB files and email a scanned copy to [cjimenez@countyofsb.org](mailto:cjimenez@countyofsb.org).
2. Please **return the original** Deed of Trust (Attachment D) to Carlos Jimenez for recording in the County's Real Estate/Official records. Please email or call when ready for pick up: (805) 568-3529 [cjimenez@countyofsb.org](mailto:cjimenez@countyofsb.org). The original (or a conformed copy) will be returned to COB for their records following recording.
3. Please email a copy of the Minute Order to [cjimenez@countyofsb.org](mailto:cjimenez@countyofsb.org).

#### **Attachments:**

Attachment A: 2022-23 Action Plan Substantial Amendment

Attachment B: County Loan Agreement

Attachment C: County Promissory Note

Attachment D: County Deed of Trust

Attachment E: County Regulatory Agreement

Attachment F: Wells Fargo Bank Subordination Agreement

Attachment G: Zoning Approval/City of Buellton Mitigated Negative Declaration (22-FDP-01)

Attachment H: State Subordination Agreement

#### **Authored by:**

Carlos Jimenez, Senior Housing Program Specialist