

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: 1/9/06
Department Name: Housing and Comm. Dev.
Department No.: 055
Agenda Date: 1/24/06
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Ed Moses, Director
Housing and Community Development

STAFF CONTACT: Tim Wong
ext. 3523

SUBJECT: Ellwood Apartments (3rd District)

Recommendation(s):

That the Board of Supervisors:

- A. Find that on June 17, 2002, the Ellwood Apartments Project was determined by the City of Goleta to be CEQA exempt per Section 15332 and 15061(b)(3) for the project.
- B. Approve the commitment of \$200,000 of City of Goleta HOME funds for permanent financing costs for the Ellwood Apartments, located at 360 Ellwood Beach Drive, Goleta, CA .
- C. Authorize the Director of Housing and Community Development to execute the Loan Agreement in the total amount of \$200,000 and a Regulatory Agreement, and any required subordinations, all in substantially the form of the attachments to this Board letter, for the development of this project.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 7. Strengthen the Safety and Well-Being of Children and Their Families to Ensure a Strong Future for our Community

Executive Summary and Discussion:

Ellwood Apartments is a proposed 8 unit apartment complex in the City of Goleta being developed by Peoples' Self Help Housing Corporation (PSHHC) a County not-for-profit Community Housing Development Organization (CHDO). The project is located at 360 Ellwood Beach Drive in the City of Goleta.

The Board is approving this \$200,000 City of Goleta HOME loan because the County is the lead agency of the County HOME Consortium. The HOME Consortium consists of all the incorporated cities in the County

except the City of Santa Barbara and the City of Guadalupe. Although the project site is in the City of Goleta and the funding is solely from the City of Goleta HOME allocation, the County is still responsible for approving the loan documents. The City of Goleta is one of the seven members of the County's HOME Consortium. As per the Consortium Agreement, each member in the Consortium receives an allocation of the annual HOME funds in which the member can spend on projects in their jurisdiction.

Background:

The County participation in the project began when the Board approved the submittal of the \$277,500 CDBG application to the State in March 2001 for the acquisition of the site. The application was awarded by the State in July 2001. In September 2004 the Board approved a State Community Development Block Grant (CDBG) \$277,500 site acquisition loan to PSHHC. And in November 2005, the Board approved a \$425,000 County HOME/Local funds loan for soft cost expenses in the development of the project.

County HCD began reserving HOME funds for this project in 2003 as part of the County's annual Notice of Funding Availability (NOFA) process in which affordable housing developers submit applications requesting County funds for potential projects. HCD staff, outside consultants, and the County's Affordable Housing Loan Committee then review the applications and make recommendations to the Board of which projects should receive funding reservations. The Committee's recommendations are then included in County HCD's federal Housing and Urban Development (HUD)-required annual Action Plan. The Board approves the Action Plan prior to submitting the plan to HUD. The Board approved the \$425,000 HOME funds reservation and the City's \$200,000 HOME funds in 2004 as part of the Action Plan process.

Approval Process:

Prior to expending the County funds, the developer must submit a commitment application to HCD containing the final project financing details and required documentation. The commitment application goes through the same process as the reservation of funds culminating in the Board approving the loan documents.

Peoples' Self Help Housing Corporation submitted a commitment application requesting a HOME loan of \$200,000 to develop the Ellwood Apartments. The proposed loan is a 0%, 30 year, deferred loan that will be used for soft cost expenses in the development of this project. The funding source is \$200,000 from the City of Goleta HOME formula allocation. The Goleta City Council set the terms and approved the loan at their February 22, 2005 City Council Meeting (A copy of the meeting minutes is included as attachment B). The City Council reviewed and approved the loan documents at their January 17, 2006 City Council Meeting. Since it is the City's HOME allocation and potential program income, the County has always followed the terms approved by the local jurisdiction.

The \$277,500 CDBG and \$425,000 County HOME/Local funds loan will be superior position to this loan. If the project defaults, the CDBG and County HOME loans would be repaid prior to repayment of the Goleta HOME loan.

Project Financing Summary

Project Name: Ellwood Apartments

Developer's Name: Peoples' Self Help Housing Corporation

No. of Units: 8 Bldg. Type: Rental Target Population: 40-60% Area Median Income

Total Development Cost: \$2,040,041 Loan amount: \$200,000

Unit Mix: 1BD: 6 2BD: 2

Unit Distribution: 40% AMI: 1 50% AMI: 1 80% AMI: 6

Financing Terms:

Funding Source	Loan Amount	Int. Rate	Term/Yrs.	Repayment Structure
Goleta City HOME	\$200,000	0%	30 Years	Deferred

Project Funding Sources:

Source	Amount
Montecito Bank and Trust loan	\$572,266
County HOME/local funding	\$425,000
County CDBG funding	\$277,500
State Joe Serna Farmworker Housing Grant	\$220,000
City of Goleta HOME fund	\$200,000
PSHHC Equity	\$345,275
TOTAL	\$2,040,041

On August 31, 2005, the Affordable Housing Loan Committee recommended that Housing and Community Development commit \$425,000 in County Local/HOME funds and \$200,000 in City of Goleta HOME funding for the construction of the Ellwood Apartments, located at 360 Ellwood Beach Dr. in Goleta, subject to the following conditions:

- © The County HOME funding will be in the form of 3%, 30 year, residual receipts loan with the residual receipts divided on a pro-rata basis between the County and the Peoples' Self Help Housing. Residual receipts loans require that the Peoples' Self Help Housing must make a loan payment if there is a surplus of funds from the annual income generated from the project minus the project's annual operating expenses.
- © The City of Goleta HOME funding will be in the form of 0%, 30 year, deferred loan.
- © That the Loan Committee considers requiring an updated appraisal be submitted prior to release of funds.
- © That the terms of the Regulatory Agreement governing this project be consistent with and enforcing all CDBG requirements, including a minimum 30-year term of affordability.

At this time, federal NEPA requirements for the project have been met, and other federal overlay requirements which come into play with acquisition and construction projects. State CEQA requirements have been met through the City Goleta's preparation and adoption of a Categorical Exemption.

Consequently, the project is at a stage of readiness appropriate for the County to move forward with its funding commitment.

Mandates and Service Levels:

No changes to programs or service levels.

Fiscal and Facilities Impacts:

Part 92, Section 503 (b) of the Federal HOME program regulations state that any funds invested in housing that do not meet affordability requirements for the period specified in the regulations must be repaid by the participating jurisdiction (the County). It is possible that if the project were to fail, the County could be liable to repay the amount of the loan. It is important, however, to note that County staff conducted detailed underwriting including risk analysis for the project.

The potential risk to the County if the project should fail is minimal. Staff has reviewed the total debt on the property and the appraised value is significantly higher than the total debt thus County can recapture its funds in the event that the project fails. It is a condition of the loan that the Staff has performed the due diligence in reviewing this loan prior recommending approval to the Affordable Loan Committee.

Special Instructions:

None

Concurrence:

Supervisor Centeno
Auditor Controller
County Executive Office

Attachments

Loan Agreement
February 22, 2005 City of Goleta Meeting Minutes