



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.: 055
For Agenda Of: 2/27/18
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department George Chapjian, Community Services Director (805) 568-2485
Director(s)
Contact Info: Dinah Lockhart, Deputy Director (805) 568-3523
Laurie Baker, Grants and Program Manager (805) 568-3521
**SUBJECT: Funding Reservations to Sierra Madre Cottages, and
The Residences at Depot Street (Supervisory District 5)**

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 reservation of County funds for the Sierra Madre Cottages project that will (a) be in an amount not to exceed \$1,400,000; (b) consist of HOME funds and/or In-Lieu Funds in specific amounts to be determined by the Board at a later date; and (c) be released if People's Self-Help Housing Corporation does not receive notification of an award of low-income housing tax credits for the project by September 30, 2018;
- B. Authorize the Director of Community Services Department (CSD) to sign a letter to the Sierra Madre Cottages project applicant indicating the approved reservation (Attachment A);
- C. Approve a reservation of County funds for The Residences at Depot Street project that will (a) be in an amount not to exceed \$2,387,095; (b) consist of HOME funds and/or In-Lieu Funds in specific amounts to be determined by the Board at a later date; and (c) be released if the Housing Authority of Santa Barbara County does not receive notification of an award of low-income housing tax credits for the project by September 30, 2018;
- D. Authorize the Director of the Community Services Department (CSD) to sign a letter to The Residences at Depot Street project applicant indicating the approved reservation (Attachment B);
- E. Determine that the approval of the reservation of funding is not the approval of a project that is subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15378(b)(4), finding that the actions are not a project as they are the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially

significant impact on the environment, and direct staff to file a Notice of Exemption (Attachment C).

Summary Text:

On February 14, 2017, The Board approved funding reservations (*Table 1*) for Sierra Madre Cottages and The Residence at Depot Street (Projects) to be effective for the 2017 low-income housing tax credit (LIHTC) funding rounds held by the California Tax Credit Allocation Committee’s (CTCAC).

Table 1

Project	Development Type	Developer	Location	2017 Funding Reservation
Sierra Madre Cottages	39 rental units for low-income seniors (plus one manager’s unit)	Peoples’ Self-help Housing Corp.	Directly south of 624 East Camino Collegio City of Santa Maria	\$900,000
The Residences at Depot Street	78 rental units for formerly homeless (plus two managers’ units)	Housing Authority of the County of Santa Barbara	301 N. Depot Street City of Santa Maria	\$1,800,000

The Projects did not receive awards of LIHTC in the 2017 funding rounds and the County reservation letters expired on September 30, 2017. The Developers submitted updated applications for consideration of renewed County funding reservations for the 2018 CTCAC funding rounds. Both developers amended their financing plans and will apply for 4% LIHTC, instead of 9% LIHTC, which should increase the likelihood of receiving LIHTC awards, as 4% LIHTC is not allocated on a competitive basis. Both developers will issue private activity bonds, which will convert to loans as additional funding sources. The application of both projects for 4% LIHTC reduces the amount of investor equity that will be available to the projects, resulting in an increased need for County funds. Therefore, staff recommends approving funding “reservations” to the projects as shown in *Table 2*. A “reservation” is a set-aside of County funds for a specific project for a specific time period. This allows the applicant to continue its efforts to secure the additional funding needed, including an allocation of LIHTC, to demonstrate financial feasibility. The County funding reservations for both projects will expire on September 30, 2018, to allow the applicants to also apply in the second application round in July for either 4% or 9% LIHTC, if necessary.

Table 2

Project	Developer	2018 Recommended Funding Reservation
Sierra Madre Cottages	Peoples’ Self-help Housing Corp.	\$1,400,000
The Residences at Depot Street	Housing Authority of the County of Santa Barbara	\$2,387,095

If one or both of the Projects are awarded LIHTC in 2018, staff will return to the Board to consider approval of a final commitment of funds through the execution of loan and regulatory documents, and inclusion of the Project(s) in the County's Action Plan. The U.S. Department of Housing and Urban Development (HUD) requires that any use of federal funds, in this case HOME Investment Partnerships Program (HOME) funds, be included in the County's HUD approved Action Plan, or amendment to a prior approved Action Plan, before committing funds to an eligible activity. The County's 2018¹ and certain prior year Action Plan(s) will be amended accordingly and submitted to the Board for approval, along with funding recommendations to the projects.

The County funding provided to the projects will likely be in the form of low interest loans, repaid with any remaining cash (residual receipts), after the payment of ongoing operating expenses, management and monitoring fees, and project debt that is required to be in a superior position to the County debt.

The proposed County reservations of funds for the Projects were considered by two review committees prior to being submitted to the Board for consideration.

- An internal County committee consisting of staff from the Community Services and Auditor/Controller departments met on January 6, 2018 to review the projects' sources and uses of funds, and 20-year cash flow projections.
- The County's Capital Loan Committee (Committee) met on January 25, 2018 to hear staff's analysis of the Projects' feasibility and to make funding recommendations for Board consideration.
 - Sierra Madre Cottages: The Committee did not meet quorum for the Sierra Madre Cottages agenda item, due to a conflict of interest by one Committee member. The Residences at Depot Street: The Committee met quorum for this agenda item and voted unanimously to recommend \$2,287,095 in HOME and/or In-Lieu funds to the Project.

The specific amounts of HOME and In-Lieu funds to each project will be determined at such time the Board approves final commitments, and executes County loan documents, for the Projects.

Background:

County HCD administers an affordable housing development program which is funded through federal HUD funds and local In-Lieu Fee funds. The County receives annual allocations of Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME), which may be used for housing projects.

HOME funds are annually allocated to the County on behalf of the Santa Barbara County HOME Consortium which consists of the County and the cities of Buellton, Solvang, Goleta and Carpinteria. The City of Santa Maria was a member of the HOME Consortium through FY 2015 and withdrew from the Consortium beginning with FY 2016. The County approved the re-establishment of the City of Santa Maria in the Consortium, beginning in FY 2018.

¹ The Board will consider for approval the 2018-19 Action Plan on or about April 10, 2018

Projects that are approved by the Board for funding from federal sources are included in the County’s annual Action Plan, or in an amendment to the Annual Action Plan, and submitted to HUD. Annual Action Plans and amendments are approved by the Board prior to submission to HUD. The Inclusionary Housing Ordinance (IHO), the details of which are in Chapter 46A of the County Code of Ordinances, requires certain new residential projects to provide a portion of the housing units as price restricted affordable housing units. The Ordinance allows developers to pay the County a fee in-lieu of developing the units. The In Lieu Fees then may be used by the County to develop additional affordable units. In-lieu fees are generally used for affordable housing developments that are located in the Housing Market Area (HMA) in which the in-lieu fees were collected.

Sierra Madre Cottages

Sierra Madre Cottages will be located directly south of 624 East Camino Collegio, in Santa Maria. The Project will contain a mix of 36 1-bedroom and four 2-bedroom apartments, for a total of 40 units for senior adults. One (1) of the units will be a Manager’s Unit without income or rent restrictions. All other units will be income and rent restricted for households with incomes at or below 50% and 60% of the area median income (AMI). The Project will also include a resident Community Center which will include a lounge, kitchen, library/computer room, laundry facilities, restrooms, and office space for the onsite manager and resident supportive services. Other amenities will include walking paths, and community garden space.

The applicant requested \$1.4 million, of which includes \$199,107 of HOME funding that was sub-allocation to the City of Santa Maria during a prior year when the City was a member of the County HOME Consortium. The City also requests that the County approve the reprogramming of \$150,000 of its existing Tenant Based Rental Assistance (TBRA) contract with the County (also from a prior sub-allocation of HOME funds to the City) to the Project, for a total allocation of \$349,107 in HOME funds previously sub-allocated to the City and being made available to the Sierra Madre Cottages project. A Second Amendment to the Subrecipient (TBRA) Agreement with the City of Santa Maria, reducing the contract amount by \$150,000 and thereby making these funds available for the Sierra Madre Cottages project, will also be considered on 2/27/18 by the Board for approval and execution.

The City of Santa Maria receives a direct allocation of Community Development Block Grant (CDBG) funds from HUD annually. The City has awarded \$350,738 of its CDBG funds to the Sierra Madre Cottages project.

Table 3 shows the projected total development costs and sources of funds to the project.

Table 3

Total Development Costs	\$13,085,005
Funding Sources	
Bank Loan	\$1,645,500
NeighborWorks Sponsor Loan	\$4,479,557
County HOME/In Lieu	\$1,050,893
City of Santa Maria - HOME	\$349,107
FHLB Affordable Housing Program	390,000
City of Santa Maria - CDBG	\$350,738
Private donor	30,147
Tax Credit Equity (Net)	\$4,788,963
GP Capital	100
Total Funding Sources	\$13,085,005

The Residences at Depot Street

The proposed project will be located at 301 N. Depot Street in the City of Santa Maria. The project will consist of 80 rental units divided between two separate buildings and will contain 6 studios, 32 1-bedroom units, 34 2-bedroom units and 6 3-bedroom units. Two of the units will be managers’ units without income or rent restrictions. All other units will be restricted to household incomes that are at or below 50% of the area median income (AMI). The buildings will be three stories and served by elevator and stairs. Off street surface parking area will be provided. There will be interior common meeting areas for resident support services, a community meeting room, computer lab, and clinic. Landscaped areas are provided for family recreation. There will be a small commercial office for property management staff.

The applicant requested \$1,800,000 in its application for County funds, with an additional \$1.3 million as a contingent award (\$3.1 million total) to allow the developer to also apply for federal LIHTC only (not including additional State tax credits) if necessary, if the applicant is unsuccessful in receiving both federal and State credits. During the Capital Loan Committee meeting, the applicant amended its request to be awarded all available funds to the project. The Capital Loan Committee approved a funding recommendation of \$1.8 million (original request) and an additional \$587,095 in available HOME/In-Lieu funds to the project for a total County reservation amount of \$2,387,095.

Table 4 shows the projected total development costs and sources of funds to the Project.

Table 4

Total Development Costs	\$32,414,038
Funding Sources	
Perm Loan Tranche A	4,200,000
Perm Loan Tranche B	5,700,000
Deferred Developer Fee	1,570,871
MHSA loan	2,380,938
County HOME/In-Lieu loan	2,387,095
Seller Carryback Note	960,000
Tax Credit Equity - LIHTC	14,893,790
Tax Credit Equity – Solar	271,923
GP Equity	49,421
Total Funding Sources	32,414,038

Summary of Funds Available

Table 5 shows the funds available for housing development projects

Table 5

HOME Balance (incl Program Income)	2,247,230
Less reserved for Thomas fire/flood relief ²	-150,000
In-Lieu Balance SM HMA ³	1,309,965
Unrestricted funds	379,899
Total Sources:	3,787,094
Sierra Madre Cottages - PSHHC	1,400,000
Residences at Depot Street – HASBARCO	2,387,095
Total Uses	3,787,094

- The County has just over \$2.2 million in uncommitted HOME funds, which includes Program Income received from repayments on prior HOME loans.
- The current balance of in-lieu funds available for the Santa Maria Housing Market Area (HMA) is just over \$1.3 million.
- The unrestricted funds are from a foreclosure of an IHO unit and are not required to be restricted to a specific Housing Market Area.
- CSD/HCD is exploring with HUD on how existing HOME funds may be used to provide some relief to low-income persons affected by the Montecito disaster. \$150,000 has been preliminarily set aside

² Discussions with HUD in process for use of HOME funds for lower-income tenants affected by disaster

³ Santa Maria Housing Market Area (HMA)

while research is completed. CSD/HCD will return to the Board with recommendations at a later date if a viable program is identified.

Performance Measure:

If the County enters into agreements to provide funding to the projects, the County will designate the number of required income- and rent-restricted rental units. Such restrictions will be required for at least twenty years, the minimum period required by the federal HOME program. The County also will execute a County loan agreement and other loan documents with the owners.

Contract Renewals and Performance Outcomes:

Not applicable

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State			
Federal			\$ 2,097,230.00
Fees			
Other: In-Lieu			\$ 1,689,864.00
Total	\$ -	\$ -	\$ 3,787,094.00

Narrative:

These amounts are reservations only and Board Action on these items does not approve expenditures. The HOME funds being reserved for the two projects have been received by HUD and are in the County’s line of credit with HUD. The in-lieu funds have been received from developers who paid the fees and the funds are in the CSD budget.

Key Contract Risks:

Contracts are not being executed at this time. If one or both of the projects receive allocations of LIHTC and other funds needed for the project(s) to proceed, staff will return to the Board for firm commitments of funds and execution of County loan documents. If one or both Projects do not receive allocations of LIHTC, staff may return to the Board to extend the funding reservation(s) or to re-allocate the funds to other eligible projects.

Staffing Impacts:

The current requested activity falls within currently budgeted staff duties. However, a future commitment of County funds to the Projects will necessitate regulatory monitoring for a minimum of 20 years and fiscal monitoring for the term of the loans. Monitoring will be conducted by CSD existing staff.

Special Instructions:

Please provide a copy of the Minute Order (email to Laurie Baker, lbaker@co.santa-barbara.ca.us)

Attachments:

- A. County Letter of Reservation of Funds – Sierra Madre Cottages
- B. County Letter of Reservation of Funds – The Residences at Depot Street
- C. CEQA Notice of Exemption