



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: Housing and  
Community  
Development  
Department No.: 055  
For Agenda Of: January 15, 2008  
Placement: Administrative  
Estimated Time: None  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors  
**FROM:** Department Housing and Community Development  
Director John Torell, CPA, Ext. 3515  
Contact Info. Pat Gabel, Housing Finance Manager, Ext. 3522  
**SUBJECT:** Loan Subordination Agreement, Portabello Apartments, 305-309 North K Street,  
Owner: Lompoc Housing and Community Development Corporation, 4<sup>th</sup> District

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Other Concurrence:** Risk Management

As to form: n/a

**Recommended Actions:**

That the Board of Supervisors:

A. Authorize the Housing and Community Development Department Director to execute the attached Subordination Agreement (Attachment A), pursuant to Lompoc Housing and Community Development Organization's first mortgage loan refinancing for the Portabello Apartments, located at 305-309 North K Street, in the City of Lompoc.

**Summary Text:**

Lompoc Housing and Community Development Corporation (LHCDC), is currently in the process of refinancing the first mortgage loan on its Portabello Apartments project; the current financing is being carried by the former property owner and LHCDC is seeking conventional financing through Los Padres Bank. As Santa Barbara County has provided past financial assistance in the amount of \$150,000 towards acquisition and rehabilitation of the apartments, in order for the refinance to move forward through escrow, the county must agree to subordinate to the new loan.

**Background:**

LHCDC acquired the 14-unit Portabello Apartment complex in November 2000. To assist in the acquisition and rehabilitation of the apartment complex, at its October 2, 2000 public hearing, the Board of Supervisors took administrative action approving the commitment of \$150,000 in county HOME funds to the project. The county loan was in the form of a deferred, 3% interest, 30-year term. Prior to the board having approved the loan, it was also reviewed and recommended for board approval at the Affordable Housing Loan Committee's August 3, 2000 meeting.

In terms of the conditions addressed at the Loan Committee at that time, it recommended that the county loan be in second position, behind a seller-financed first mortgage that was subject to refinancing in seven (7) years. As the seller's financial terms and conditions of its loan are expiring, today's board action allows LHCDC to move forward with refinancing of this note through acquiring another loan to pay this off. In the regard, LHCDC is acquiring first mortgage re-financing in the amount of \$675,000 through Los Padres Bank. In order for this to take place, the county must agree to subordinate its current \$150,000 loan to the Los Padres Bank loan. Today's recommended board action would meet this end.

**Performance Measure:**

Safe and healthy families; housing for all segments of the population.

**Fiscal and Facilities Impacts:**

Budgeted: Yes

**Fiscal Analysis:**

Narrative: The \$150,000.00 represents a past commitment of funding in 2000 under Santa Barbara County's 2000 HOME Program Notice of Funding Availability. The note held by the seller is in the amount of \$203,000.

The County's risk related to subordination of the first mortgage in the higher amount is protected. Staff has conferred with the lender on this project, Los Padres Bank, and three conditions have been bet assuring the security of the county loan. The property's post-improvement appraised value serves as adequate security for the county loan in the event that the project ceases operations for one reason or another; the schedule of rents and project operations costs adequately support repayment of the first mortgage and other project costs, taxes, insurance, etc.; and cost documentation related to the property improvements supports the additional refinancing request amount.

The additional funding in the amount of \$472,000 being requested above and beyond payment of the existing note consists of the following:

- \$356,400 in reimbursement costs non-profit incurred in conducting rehabilitation work on the property;
- \$52,214 in compensation for deferred developer fees for the project;
- \$13,500 in financial transaction costs;
- \$50,000 for continuing work related to site improvements and landscaping.

**Staffing Impacts:**

**Legal Positions:**

n/a

**FTEs:**

n/a

**Special Instructions:**

Please call ext.3520 for pick-up of one (1) original Subordination Agreement.

**Attachments:**

Attachment A, Portabello Apartments Subordination Agreement.

**Authored by:** Carlos Jimenez, Housing Program Specialist

**cc:**