SANTA BARBARA COUNTY
BOARD AGENDA LETTER

Clerk of the Board of Supervisors
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Agenda Number:	
Prepared on:	November 17, 2004
Department Name:	Housing and Community Development
Department No.:	055
Agenda Date:	December 7, 2004
Placement:	Administrative
Estimate Time:	
Continued Item:	NO
If Yes, date from:	

TO: Board of Supervisors

FROM: Edward Moses, Director
Housing and Community Development

STAFF CONTACT: Tim Wong
ext. 3523

SUBJECT: HOME Funding for Central Plaza Apartments, Santa Maria (5^{th} District)

Recommendation(s):

That the Board of Supervisors:

A. Find that the Central Plaza Project is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA guidelines 15301 and 15280.

B. Approve the commitment of $1,594,607 in County HOME and City of Santa Maria HOME funding from the County HOME Consortium to Central Plaza Limited Partners (CPLP) for the acquisition and rehabilitation of the Central Plaza Apartments in Santa Maria.

C. Authorize the Director of Housing and Community Development to execute a Loan Agreement and a Regulatory Agreement with CPLP for the acquisition and rehabilitation of this project consistent with the terms and conditions detailed in this Board letter and its attachments, and any minor, nonsubstantive changes necessary to implement the execution of these documents.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 5.A High Quality of Life for All Residents.

Executive Summary and Discussion:

CPLP, a California Limited Partnership, in association with the Housing Authority of the County of Santa Barbara, has requested a loan of One Million Five Hundred Ninety-Four Thousand Six Hundred Seven Dollars ($1,594,607) in County HOME and City of Santa Maria HOME funds to acquire and rehabilitate 112 apartments for persons of incomes up to 50% or 60% of the County's median income. Income limits are adjusted by household size. As a reference, the income for a family of four at 50% of median income is $32,350. At 60% of median income, the amount goes up to $38,820. The project consists of 40 one bedroom/one bathroom units and 56 two bedroom units and 16 three bedroom units. The complex is located at 200 North McClelland Street in the City of Santa Maria. The Housing Authority will continue serving the current residents so there are no relocation or displacement issues.

Central Plaza Apartments were originally developed by the Los Angeles Teamsters Union using HUD Section 236 Program funds in the 1970's as an affordable housing project. Last year the Teamsters decided to sell the property on the open market and pay off the HUD loan. Sale on the open market would have terminated any affordability restrictions on the units and cause the conversion of all 112 units to market rate housing. The Housing Authority was one of the bidders for the property and the Teamsters accepted the Housing Authority's offer to purchase. The Housing Authority will continue renting the units to low, very low and extremely low residents. The Housing Authority proposes to renovate the apartment units and construct a community building that will be used to provide on-site supportive services and tenant management.

The total project cost for the acquisition and rehabilitation of the apartment complex is $13,176,166. The project has already received two loans from California Housing Finance Agency in the amount of $7,175,000, tax credit equity in the amount of $3,888,269, $55,486 capitalized interest and $467,803 in the form of a deferred developer fee. The property cost is $7,715,000 and the renovation costs are $2,756,336. The rehabilitation costs come to $24,610 per unit and the total acquisition and rehabilitation cost per unit is $117,644. The loan is in the form of a 3%, 30 year residual receipts loan. **It is Departmental policy that County funds be in the form of amortized loans. However, due to the conservative underwriting requirements of the California Housing Finance Agency, a residual receipts loan was necessary to satisfy their requirements.**

At this time, federal NEPA requirements for the Central Plaza Apartment acquisition/rehabilitation project have been met, and other federal overlay requirements which come into play with acquisition and rehabilitation projects, including Uniform Relocation Act requirements, Housing Quality Standards, and lead based paint abatement, have been or can be accommodated prior to close of escrow on the County loan. Consequently, the project is at a stage of readiness appropriate for the County to move forward with its HOME funding commitment.

The Santa Barbara County Affordable Housing Loan Committee recommended approval to fund this HOME loan on September 7, 2004, subject to the following conditions, which are also incorporated into the attached loan agreement and related documents.

- That the funding be in the form of a 30 year, 3% residual receipts loan.
- That the loan be in the second position, subordinate only to the loan from the California Housing Finance Agency.
- That an agreement be executed between HCD and the County Housing Authority prior to the disbursement of funds, stating that the terms of the County loan will be revisited within six months of the filing of the Notice of Completion.
- Documentation provided to HCD that the general notice announcing the sale of the property.

Mandates and Service Levels:

No changes to programs or service levels.

Fiscal and Facilities Impacts:

This project will maintain the supply of affordable housing for low, very low and extremely low households in the Santa Maria housing market area and insure its long term affordability. County administrative activities related to project development are eligible for reimbursement by the HOME program under the 10% set aside for administration activities. This proposed action allocates for specific use funding contained in the adopted 03-04 budget.

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 Central Plaza Apartments.

The potential risk to the County if the project should fail is minimal. Because of the low acquisition price, rapidly appreciating value of the property and the County's loan position, the County can easily recapture its funds in the event that the project fails. Staff has performed the due diligence in reviewing this loan prior recommending approval to the Affordable Loan Committee.

Special Instructions:

None

Concurrence:

Auditor Controller
County Counsel