



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 4, 2014  
**Placement:** Administrative  
**Estimated Time:** N/A  
**Continued Item:** No  
**If Yes, date from:** N/A  
**Vote Required:** Majority

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**TO:** Board of Supervisors  
**FROM:** Department Renée E. Bahl, Interim Community Services Director (805) 568-2467  
Director(s):  
Contact Info: Margo Wagner, Senior Housing Program Specialist (805) 568-3529  
**SUBJECT:** Approval and Execution of First Amendments to the HOME loan documents and Partial Reconveyances for Cypress Court HOME Project, and Mortgagee Consent for City of Lompoc RDA loan documents; Fourth Supervisorial District.

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Risk Management**

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

- a) Approve and authorize the Chair of the Board of Supervisors to execute the following documents (the "HOME Loan Documents") in order to change the legal description of the property that secures the County's HOME loan (the "Property") in accordance with the Amended Legal Description (Attachment D), which will be incorporated into each HOME loan Document as "Exhibit";
  1. First Amendment to the Deed of Trust Assignment of Rents and Security Agreement (Attachment A);
  2. First Amendment to the Regulatory Agreement and Declaration of Restrictive Covenants (Attachment B); and
  3. First Amendment to HOME Loan Documents (Attachment C).
- b) Approve and authorize the Chair of the Board of Supervisors to execute the following documents (the "RDA Loan Documents") as Mortgagee Consent in order to facilitate a change to the legal description of the property that secures a loan held by the City of Lompoc as the successor agency to the Lompoc Redevelopment Agency ("RDA") in accordance with the Amended Legal

Description (Attachment D), which will be incorporated into the RDA Loan Documents as “Exhibit A”;

1. First Amendment to Notice of Affordability Restrictions on Transfer of Property – City of Lompoc RDA loan (Attachment E);
  2. First Amendment to Deed of Trust – City of Lompoc RDA loan (Attachment F); and
  3. First Amendment to Agreement Containing Covenants – City of Lompoc RDA loan (Attachment G).
- c) Approve and authorize the Chair of the Board of Supervisors to execute a Partial Reconveyance for Parcel 1 and Parcel 3 (Attachment H) which releases the County’s security interests in any real property not included in the Amended Legal Description (Attachment D).
- d) Approve and authorize the Chair of the Board of Supervisors to execute two Substitutions of Trustees (Attachments I & J) in order to facilitate the Partial Reconveyance for Parcel 3 and Parcel 2 (Attachment H); and
- e) Find that pursuant to the California Environmental Quality Act (CEQA) Guidelines Section 15162, no substantial changes are proposed and no new information of substantial importance has come to light regarding environmental effects of the project or of the sufficiency or feasibility of mitigation measures, and therefore these actions are within the scope of the Cypress Court project covered by the Mitigated Negative Declaration that was prepared by the City of Lompoc, which the Board considered and found was adequate for the project on March 6, 2012, and that therefore no new environmental document is required. (Attachment K).

**Summary Text:**

The Board of Supervisors is being asked to approve an amended legal description of the property that currently secures a \$500,000 County HOME loan for the Cypress Court affordable housing development in Lompoc (“Property”). As explained in further detail below, the effect of these amendments will be to: (1) remove certain portions of the Property, and; (2) add certain other portions of property. Consistent with this amendment, the Board is being asked to release its interests in those pieces of property that are not included in this amended legal description. Before the senior lender, Rabobank, can convert its construction loan into a permanent loan, the documents set forth in Recommended Actions A-D must be executed and recorded, which will resolve all outstanding title issues and enable the Bank to receive a clean title report with respect to the property that will secure its loan for the Cypress Court Project.

The Board of Supervisors is also being asked to grant consent on the City of Lompoc’s first amendments to their RDA loan for the purpose of affirming that the priority of the County’s HOME Deed of Trust and Regulatory Agreement shall remain unchanged and in a junior position to Lompoc’s RDA loan documents.

**Background:**

On March 6, 2012, the Board of Supervisors approved and executed a \$500,000 federal HOME loan to Lompoc Pacific to construct a 60-unit senior rental housing project named Cypress Court located within the City of Lompoc (the “Project”). The Project was developed and owned by Lompoc Pacific Associates, a California limited partnership. The current private loan with the Bank in the amount of \$9,280,000 is in senior lien position. The total project cost was approximately \$12.6 million, with 11 affordable HOME units. The Lompoc RDA made loans to Lompoc Pacific aggregating \$1,300,000 in January, 2012 which is senior to the County’s HOME loan. The City of Lompoc is now the successor agency to the Lompoc RDA.

The County’s HOME loan was originally secured by a single parcel – Parcel 17 (see original property map Figure 1) owned by Lompoc Pacific on which Lompoc Pacific planned to construct 1) the Project and 2) a separate mixed-use (residential and commercial) condominium project (“Commercial Project”); the Commercial Project was to be developed by a third party without the use of any HOME funds. Originally, Lompoc Pacific intended to first complete the Commercial Project and then sell the individual commercial units at a later time. During development of the Project, Lompoc Pacific also intended to secure a lot-line-adjustment to transfer a strip of land along the back of its proposed building (“Area A”) (reflected as “C&7 Parking Easement Premises” on Parcel Map//see Figure 2- denoted on Figure 2 to the neighbor of Parcel 1, C&7, in exchange for a deeded access to Cypress Avenue and a landscaping strip along the full length of Seventh Street (“Areas B and C” denoted on Figure 2). In addition to gaining the above-described land, the purpose of this exchange was to eliminate certain easement conflicts and to avoid Lompoc Pacific having to relocate utilities.

Figure 1

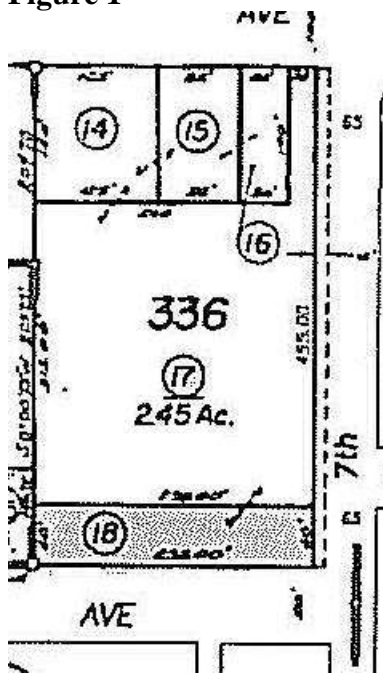
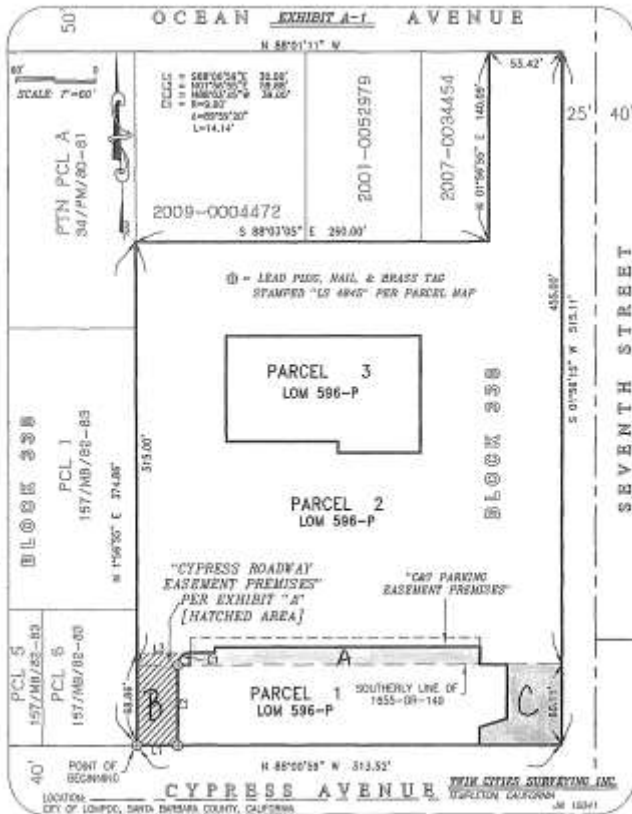
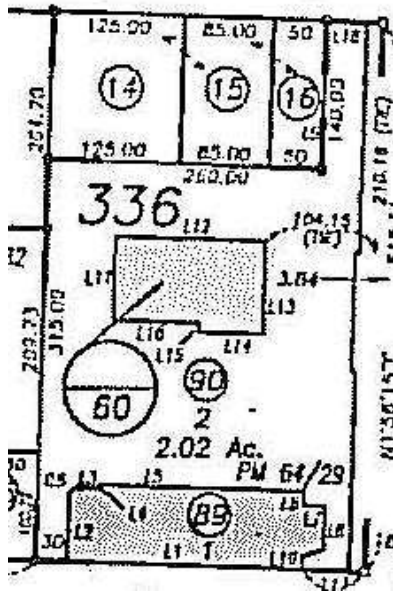


Figure 2



However, before the Project was completed, Lompoc Pacific revised its plans and elected to subdivide the property that secured the County’s HOME loan via Parcel Map No. LOM 596-P (the “Parcel Map”) (New Assessor’s Map//see Figure 3). This would result in 1) the creation of a new parcel, Parcel 3, for the location of the Commercial Project; and 2) add Areas B and C to Parcel 2, where the Project was located. This Parcel Map did not reflect the transfer of Area A from Parcel 2 to Parcel 1. The purposes of this subdivision were to 1) place the commercial property on a separate legal parcel in order to avoid the Project being a minority party to a condo owner’s association with the commercial owner(s) and 2) to effect both the subdivision and the lot-line-adjustment in one process. In May 2013, the Board of Supervisors approved and authorized execution of consent to Parcel Map No. LOM 596-P and authorized the Director of the Community Services Department to amend the HOME Loan Documents to reflect the change in the legal description. The Board’s authorization did not include the removal of Parcel 3 from the County’s security for the HOME loan.

Figure 3



The Parcel Map was recorded in June 2013, but the County's HOME Loan Documents have not yet been amended. Parcel 3, which currently remains encumbered by the County's HOME Loan Documents, was transferred to TPC Commercial, LLC in September 2013. Area A has also been transferred from Parcel 2 to Parcel 1.

The current construction loan is now due and payable and needs to proceed to permanent financing for the Project, which requires the partial release of the HOME loan and a revised legal description. Lompoc Pacific Associates had always intended to transfer the commercial property to a different entity. While County staff was aware of this future plan to remove the commercial property from the County's security, the Board was not asked in May 2013 to approve amendments to the HOME Loan Documents that remove Parcel 3 from the County's security. Board action is now requested in order to effectuate this removal. Area A will also need to be removed from the legal description in the Loan Documents in order to reflect its transfer from Parcel 2 to Parcel 1.

To make these changes, the Loan Documents will need to be amended (Recommended Action A and C). Partial reconveyances are also required (Recommended Action C). The proposed Substitution of Trustee (Recommended Action D) will temporarily substitute the County as trustee and enable the Board of Supervisors to execute the Request for Partial Reconveyance which will then amend the present legal description. After the recording of the initial Substitution of Trustee (Attachment I) and subsequent Request for Partial Reconveyance (Attachment H), the second Substitution of Trustee (Attachment J) will be recorded which will return the role of Trustee back to First American Title Company. This is the most common and efficient method of expediting the transaction.

The County is also being asked to provide a Mortgagee Consent on the City of Lompoc's first amendments to their RDA loan for the purpose of confirming that the priority of the County's HOME Deed of Trust and Regulatory Agreement shall remain unchanged by the amendments to their documents.

The new senior permanent loan amount with Rabobank, which will replace the construction loan, will be approximately \$1.7 million, the existing Lompoc RDA loan of \$1.3 million in second trust deed

position and the County's \$500,000 HOME loan will remain in third position. . Review of the appraisal for the completed Project on Parcel 2 supports a value of approximately \$4.78 million. The project is 100% occupied with a waiting list.

**Fiscal and Facilities Impacts:**

Budgeted: N/A

**Fiscal Analysis:**

The County's approval and execution of the amendments and partial reconveyances does not change the terms or the position on title of the County loan which is a 55-year deferred, 3.0% simple interest loan due in 2067. The County's loan position remains in third position, subordinate to the Rabobank and City of Lompoc Redevelopment Agency loans. The County's regulatory agreement restricts 11 HOME units in the project to very low-income households. HCD's Property Management / Inclusionary staff will charge the HOME administration account for work associated with this action. The existing HOME monitoring staffer, funded through the General Fund, will continue to monitor these units.

**Special Instructions:**

- Execute three (3) original copies of the County HOME First Amendments (Attachments A, B & C)
- Execute three (3) original copies of the City of Lompoc RDA First Amendments (Attachments E, F & G)
- Execute (2) original copies of the Partial Reconveyance (Attachment H)
- Execute (2) original copies of the Substitution of Trustees (Attachments I & J)
- Contact Margo Wagner at ext. 3529 to pick up one (2) original copies of the above documents
- Provide a copy of the minute order reflecting Board Action to CSD.

**Attachments:**

Attachment A – First Amendment to the Deed of Trust Assignment of Rents and Security Agreement – County HOME loan

Attachment B – First Amendment to Regulatory Agreement and Declaration of Restrictive Covenants – County HOME loan

Attachment C – First Amendment to HOME Loan Documents

Attachment D – Exhibit A – Amended Legal Description

Attachment E – First Amendment to Notice of Affordability Restrictions on Transfer of Property – City of Lompoc RDA Loan

Attachment F – First Amendment to Deed of Trust – City of Lompoc RDA loan

Attachment G – First Amendment to Amendment to Agreement Containing Covenants – City of Lompoc RDA loan

Attachment H – Partial Reconveyance for Parcel 1 and Parcel 3

Attachment I – Substitution of Trustee – First American to County of SB

Attachment J – Substitution of Trustee – County of SB to First American

Attachment K – City of Lompoc Mitigated Negative Declaration

**Authored by:** Margo Wagner, Senior Housing Program Specialist  
cc: Scott Greenwood, Deputy County Counsel