



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: 3/17/20
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department George Chapjian, Director, (805) 568-2485
Director(s)
Contact Info: Dinah Lockhart, Deputy Director, 568-3523
Laurie Baker, Grants and Program Manager, 568-3521
SUBJECT: Funding Reservation to Buellton Senior Village Apartments affordable housing
project (Project) in Buellton (Supervisorial District 3)

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A) Approve a reservation of County funds for the Buellton Village Senior Apartments Project that will (a) be in an amount not to exceed \$895,941; (b) consist of HOME and/or In-Lieu funds; and (c) be released if Cabrillo Economic Development Corporation does not receive notification of an award of low-income housing tax credits (LIHTC) for the Project by March 17, 2021;
- B) Authorize the Director of Community Services Department (CSD) to sign a letter to the Buellton Village Senior Apartments project applicant indicating the approved reservation (Attachment A); and
- C) 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.

Summary:

The recommended actions would reserve County-administered federal and/or local funds for the Project for 12-months to allow the developer to secure additional funds, including an allocation of Low-Income

Housing Tax Credits (LIHTC). The County funding reservation for the Project will expire on March 17, 2021.

CEDC is proposing development of the Property located on the northeast corner of Highway 246 and McMurray Road in the City of Buellton with three (3) buildings containing 50 rental units, a community center, and offices. The 49 affordable units are all private 1-bedroom 1-bath apartments, with one (1) 2-bedroom 1-bath manager's unit. It is contemplated that all 49 of the affordable units will be restricted for seniors (62+) at or below 30% AMI.

If the Project is awarded LIHTC, staff will return to the Board to consider approval of a final commitment of funds through the execution of loan and regulatory documents. The County funding provided to the project will likely be in the form of low interest loan, with an annual simple interest rate of three-percent (3%) per annum, and repaid with any remaining cash (residual receipts) after the payment of annual operating expenses, property management and monitoring fees, and any Project loan(s) required to be in a superior position to the County loan.

On February 13, 2020, the proposed County reservation of funds for the Project was considered by the County's Capital Loan Committee. A representative from the City of Buellton attended the Capital Loan Committee meeting and expressed support for the funding to the Project and informed the Committee that the senior project is the last component of the Village Plan. There currently exists 155 market-rate townhome units and a commercial center, with the senior housing and community center being the last developments to complete the Village Plan. The Capital Loan Committee voted unanimously to recommend \$895,941 in HOME to the Project.

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 Lompoc, Buellton, Solvang, Goleta, Santa Maria, and Carpinteria. 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. At such time that staff brings this project back to the Board for approval of loan documents, a substantial amendment to the Action Plan will be prepared for approval by the Board and submitted to HUD. Local In-Lieu fees are collected from developers who elect to pay the fee in-lieu of including affordable housing units in developments under the County's Inclusionary Housing Ordinance.

CEDC is proposing development of the now vacant Property located on the northeast corner of Highway 246 and McMurray Road in the City of Buellton. The Project contemplates three (3) buildings with multiple rental units in each, a community center, community garden, offices, and 76 off-street parking spaces. The 49 affordable units are all private 1-bedroom 1-bath apartments, with one 2-bedroom 1-bath manager's unit. It is contemplated that all 49 of the affordable units will be restricted for seniors (62+) at or below 30% AMI.

Table 1 shows the projected total development costs for the Project.

Table 1

Costs	
Acquisition	2,325,530
Permit Fees & Studies	1,556,182
Hard Costs	12,383,954
Soft Costs	2,777,809
Finance	1,908,981
Rent-Up (furnishings, marketing, reserves)	309,747
Total Funding Sources	\$21,262,202

Table 2 shows the projected sources of funds for the Project.

Table 2

Funding Sources	
County HOME	895,941
Buellton In Lieu	480,000
MHP	8,617,776
AHP	650,000
IIG	1,384,000
LIHTC Equity	7,326,246
Deferred Developer Fee	696,501
Bank Loan	1,211,738
Total Funding Sources	\$21,262,202

HCD is providing a reservation of funds at this time until all other funding sources are committed and final financial underwriting is completed. HCD’s loan will not be provided if the Project does not receive an allocation of tax credits and commitments of all other funding sources.

During the Capital Loan Committee’s review of the Project on February 14, 2020 it was noted that housing projects in general are experiencing exponential increases in construction costs. The Committee concurred that the cost increases are attributable primarily to AUD zoning effecting an increase in land values, an increased demand for contractors resulting from the Thomas Fire and Montecito Debris Flow, and tariffs impacting the costs of building materials such as wood and steel. The Committee noted that costs up to \$400,000 per unit is becoming standard. In fact, research by HCD staff on 26 recently-approved projects by the California Tax Credit Allocation Committee (CTCAC) showed the average per-unit cost of affordable housing across the State as \$431,000.

Performance Measure:

If the County enters into agreements to provide funding to the Project, the County will designate the required income- and rent-restrictions for the units. Such restrictions will be required for at least 20

years, the minimum period required by the HOME program. The County also will execute a County loan agreement, Promissory Note, and Deed of Trust with the owners.

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			\$ 895,941.00
Fees			
Other: In-Lieu			
Total	\$ -	\$ -	\$ 895,941.00

Narrative:

These amounts are reservations only and Board Action on these items does not approve expenditures.

Key Contract Risks:

Contracts are not being executed at this time. If the Project receives an allocation of LIHTC and other funds needed to proceed, staff will return to the Board for firm commitments of funds and execution of County loan documents. If the Project does not receive allocations of LIHTC and commitments of necessary funding to complete the Project, staff may return to the Board to either extend the funding reservation 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 Project 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 Ted Teyber, eteyber@co.santa-barbara.ca.us).

Attachments:

- A. County Letter of Reservation of Funds