



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.: 57
For Agenda Of: 12/7/21
Placement: Administrative
Estimated Time: N/A
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 Programs Manager (805) 560-1090
SUBJECT: Approve and execute Amendment to Inclusionary Housing Ordinance (IHO) In-Lieu Loan Documents to West Cox Apartments affordable housing project (Project) in Santa Maria (Supervisorial District 5)

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 and authorize the Chair of the Board to execute an original and duplicate originals of the following documents, which amend the terms of the County's existing Four Hundred Fifty Thousand Dollars (\$450,000) loan for development of thirty (30) one-bedroom affordable rental housing units at 1141 West Cox Lane, Santa Maria, California (the "Property"):
 1. First Amendment to County Loan Agreement (Attachment A); and
 2. County Loan Promissory Note (Attachment B) securing the \$450,000 loan amount.
- B. Consider the environmental effects of the project as shown in the Mitigated Negative Declaration adopted by the City of Santa Maria for the Project on March 20, 2019 (Attachment C) and find that pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15162, no substantial changes are proposed, and there are no substantial changes in circumstances or new information of substantial importance regarding significant impacts or feasibility of mitigation

measures and alternatives, and therefore approval of the Recommended Actions are within the scope of the Mitigated Negative Declaration adopted by the City of Santa Maria for the Project on March 20, 2019.

Summary Text:

On September 21, 2021 the Board of Supervisors (Board) approved and executed a County IHO In-Lieu Loan Agreement, County Loan Promissory Note, and County Loan Deed of Trust (together the “County Loan Documents”), which provided \$450,000 in County Inclusionary Housing Ordinance (IHO) In-Lieu funds to the Housing Authority of the County of Santa Barbara (Housing Authority) for a portion of cost overruns¹ in development of the West Cox Apartments project at 1141 West Cox Lane, Santa Maria, CA (the “Project”). The balance of the Project was funded with tax credit equity, State No Place Like Home funds, County HEAP funds (\$1,350,000), and bank construction and permanent financing. The Project consists of developing 30 rental units (29 units with one manager’s unit) in the City of Santa Maria for homeless persons and homeless persons with a diagnosis of a serious mental illness.

The Board is now being asked to approve an Amendment to the County Loan Agreement and Promissory to change the terms from a forgivable loan to a residual receipts loan. If or when the homeless housing project cash-flows to pay lenders in priority ahead of the County, the County will receive residual receipts loan payments. The proceeds of these loan payments can be used for further development of affordable housing.

Background:

The Project is located at 1141 West Cox Lane in the City of Santa Maria, consisting of 30 1-bedroom (29 affordable) rental units. The original loan was to have a term of fifteen (15) years, bear no interest and be forgivable at the end of the term if the borrower remains in compliance with the requirements of the loan documents, including complying with the previously recorded County HEAP regulatory agreement. The amended loan terms will allow the Housing Authority to benefit from more tax credit equity for the project. While the Housing Authority has already been awarded tax credits for the project, because the County’s forgivable loan to cover a portion of construction cost overruns was not included in the California Tax Credit Allocation Committee’s original underwriting, the County’s forgivable loan risks reducing the amount of tax credits awarded. Restructuring the loan avoids this potential loss of tax credits and will also provide the County with funding for development of future affordable housing projects. The proposed Amendment (Attachment A) provides for a 55-year term, 3% simple interest residual receipts loan. The loan is evidenced by a County Promissory Note which will need to be restated to reflect the revised loan terms (Attachment B) and secured by a Deed of Trust recorded against the Property that will remain unchanged. The existing HEAP Loan Regulatory Agreement that secures performance of the income and rent restrictions will also remain in place. Construction commenced in 2020 and is now complete.

Performance Measure:

¹ During construction, the Housing Authority experienced unanticipated additional construction costs in the amount of \$971,593. The majority of these costs are related to site work and additional concrete (stem wall) required for the factory-built structures used, and to ensure ADA-accessibility of every building throughout the site.

HEAP funds were provided toward the development of the Project on December 17, 2019. Pursuant to that certain December 2018 Agreement between the State and County, and related HEAP NOFA, the County is responsible for monitoring HEAP projects. The Regulatory Agreement provides that the County monitor the HEAP assisted units for 15-years.

Fiscal and Facilities Impacts:

Not Applicable

Fiscal Analysis:

Not Applicable

Key Contract Risks:

The County assumes responsibility for the administration of HEAP and In Lieu in accordance with all State and local requirements governing their use. In addition, the County would be liable as a pass-through entity for repayment to the State if it or any provider to which it sub-grants funds is found to be non-compliant with applicable requirements. The Loan Documents provide for payment on a cost-reimbursement basis. This allows CSD/HCD to disburse state and local funds to the Sub-recipient for eligible incurred costs to the extent prescribed by the Agreement. The County will only reimburse Sub-recipients for costs that are eligible under the Loan Documents and documented in a manner that is acceptable to HCD. HCD staff will assess the performance of Sub-recipients to determine if the services provided are adequate and as outlined in the Agreement. The HEAP Loan Regulatory Agreement requires the County monitor the property’s compliance for fifteen (15) years. If at any point during the 15-year term the Project does not comply with the requirements of the Loan Agreement or Regulatory Agreement, the County may accelerate repayment of its loan. Examples of such requirements include maximum rent, tenant income limits, annual reporting to the County, property management and maintenance.

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			
Fees			
Other: County IHO In-Lieu Santa Maria HMA			
Total	\$ -	\$ -	

Staffing Impacts:

The current requested activity falls within currently budgeted staff duties.

Special Instructions:

- 1) Please return two sets of the executed original documents (except that there is only 1 original Promissory Note and HCD will accept a copy) and a copy of the Minute Order to Ted Teyber. Please email or call when ready for pick up: eteyber@co.santa-barbara.ca.us Ext. 83513.
- 2) Please retain one set of the executed original documents (including the Promissory Note) listed below for COB records.

Attachments:

- A. First Amendment to Loan Agreement
- B. County Loan Promissory Note
- C. City of Santa Maria CEQA MND