



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  
**Department No.:** 057  
**For Agenda Of:** May 2, 2023  
**Placement:** Administrative  
**Estimated Time:** N/A  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors

**FROM:** Department George Chapjian, (805) 568-2485  
Director(s)  
Contact Info: Laurie Baker, (805) 568-3521

**SUBJECT:** Approval of a Funding Reservation Letter for the Buellton Senior Village Apartments affordable housing development (Project), located in the City of Buellton (3<sup>rd</sup> Supervisorial District), under sponsorship of the Cabrillo Economic Development Corporation (CEDC).

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**County Counsel Concurrence**

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

- A) Approve a \$2,000,000 County funding reservation for the Project; and (b) subject this funding reservation to release if CEDC does not receive an award of 9% low-income housing tax credits (LIHTC) necessary to complete Project financing by May 2, 2024;
- B) Authorize the Director of Community Services Department (CSD) to sign a letter to CEDC reflecting 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 Text:**

The recommended action reserves \$2,000,000 in County funds for CEDC's Project. This action enables CEDC to pursue 9% Low-Income Housing Tax Credits (LIHTC) through the State of California Tax Credit Allocation Committee (TCAC). If the Project is awarded an allocation of 9% LIHTC, staff will return to the Board at a future date for approval of a final commitment of funds and authorization of execution of Project loan documents and security instruments. The Project has received support from City of Buellton leadership and the community at-large. The funds will be taken from the County's Federal HOME, State PLHA, and/or in-lieu, at County HCD's discretion, based on funding commitment and expenditure deadlines and other regulatory requirements.

**Background:**

CEDC's Project has been in Santa Barbara County's affordable housing development planning pipeline for over five (5) years. During this time, CEDC has worked to acquire all Project entitlements and financing. The Project is ready to proceed, subject to final financing in the form of LIHTC. The Project represents the final implementation element of Buellton's Village Specific Plan, and has been subject to prior County Capital Loan Committee and Board of Supervisors action in prior years.

On February 13, 2020, a Project funding reservation was considered by the County Capital Loan Committee (CLC), during which the CLC recommended a reservation of \$895,941 in County funds. Subsequently, on March 17, 2020, the Santa Barbara County Board of Supervisors (Board) approved the CLC's recommendation, and Project funds were set aside until March 17, 2021. CEDC was unsuccessful in acquiring tax credits or other state resources during the interim, and this reservation expired on March 17, 2021. On September 14, 2021, the Board again approved an \$895,941 Project funding reservation. Since then, CEDC has submitted two 9% tax credit applications to TCAC, the most recent in September 2022. However, the Project has not been awarded these highly-competitive credits.

During HCD's 2023-24 Notice of Funding Availability, CEDC requested additional County funding with the intent of improving the Project's TCAC application score: local funds serve to boost "tie-breaker" points and projects receive a higher score in TCAC review and allocation of the 9% tax credits. This tie-breaker is the ultimate determinant of projects receiving or not receiving an award of tax credits, all other application review criteria being equal.

On February 16, 2023, County HCD convened the CLC and, after consideration of Project financial needs, the CLC recommended a funding reservation of \$2,000,000. CEDC is confident that the additional local funds will result in the Project being highly competitive at TCAC's July 26, 2023 meeting. TCAC holds two annual meetings related to 9% tax credits, such that, if not funded in the first round, the Reservation Letter can be included in a second-round application for consideration at TCAC's November 8, 2023 meeting.

At such time that County enters into funding agreements for the Project, the funds will be taken from the County's Federal HOME, State PLHA, and/or in-lieu, at County HCD's discretion, based on funding commitment and expenditure deadlines, and other regulatory requirements.

A description of the Project scope of work, budget and schedule follows.

***Project Scope of Work:***

This new construction Project is a 50-unit development comprised of 49 affordable units, and one two-bedroom property manager’s unit. The unit mix incorporates 44 one-bedroom units and six (6) two-bedroom units, restricted to residents earning between 30% to 60% of area median income for Santa Barbara County. Thirty-six (36) units are reserved for low-income senior citizens (62+ years), and thirteen (13) units restricted to Veterans who are 55+ years in age. A 2,450 square foot Community Recreation Room, offices, bathrooms, kitchen and storage are incorporated into the Project design, which includes a large courtyard with outdoor seating. Other Project amenities include a community garden, pedestrian walking paths linking the residential communities to a park and commercial center. This Project is the final element pursuant to implementation of the Buellton Village Specific Plan.

***Project Budget:***

The Project total development cost is \$29,967,825; the sources and uses of Project funding are set forth below. Certain costs as identified below are deferred during construction until permanent loan conversion. In this regard, the sources and uses are consistent and, although the construction period financing sources amount would appear to be less than permanent financing sources, these are essentially equivalent amounts.

Source	Construction	Deferred Costs During Construction*	Permanent
Permanent Loan			2,202,885
County funds	2,000,000		2,000,000
City of Buellton	150,000		150,000
CCCE Grant			122,500
State HCD VHHP			2,551,445
State HCD HHC	3,960,000		3,960,000
State HCD AHP	730,000		730,000
General Partner Equity	100		100
LP Investor Tax-Credit Equity	1,825,090		18,250,895
Deferred Costs*		2,120,025	
Construction Loan	19,182,610		
<b>Total Sources</b>	<b>27,847,800</b>	<b>2,120,025</b>	<b>29,967,825</b>

\*Deferred costs during construction include \$1,850,000 for a deferred developer fee, \$323,629 in Project operating reserves, a \$4,265 transition reserve, \$5,000 for permanent title costs, and backing-out a TCAC fee refund in the amount of (\$62,869).

***Project Schedule:***

If the Project is awarded at TCAC’s July 26, 2023 meeting, TCAC regulations require commencement of construction within 180 days. Therefore, contingent on receiving first round tax credits, commencement of construction may occur by January 26, 2024. Assuming an 18-month construction schedule, Project completion may occur around the third calendar quarter of 2025.

**Performance Measure:**

If the County enters into future agreements for Project funding, this will include execution of a Project regulatory agreement restricting HOME units’ income and rents. The County restrictions on tenant income

and rent will be for a minimum 20-year period but may mirror the TCAC affordability period of 55 years. In any event, TCAC will restrict 100% (less one manager’s unit) of the units for 55 years. The County will also execute a County Loan Agreement, Promissory Note, and Deed of Trust with the future Project owners, which is typically in the form of a Limited Partnership, subject to Board approval of same.

**Fiscal and Facilities Impacts:**

Budgeted: No funds budgeted at this time.

**Fiscal Analysis:**

<b><u>Funding Sources</u></b>	<b><u>Current FY Cost:</u></b>	<b><u>Annualized On-going Cost:</u></b>	<b><u>Total One-Time Project Cost</u></b>
General Fund			
State			
Federal			
Fees			
Other:			
Total	\$ -	\$ -	\$ -

Narrative:

N/A

**Key Contract Risks:**

It is conceivable that the Project may not receive a future allocation of LIHTC, in which case, the funds will remain with the County for future re-allocation to this Project or another qualifying project. Therefore, there is relatively low risk associated with this Board Action.

**Staffing Impacts:**

The current requested activity falls within currently budgeted staff duties. 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 loan; this monitoring will be conducted by existing CSD staff.

**Special Instructions:**

Please provide a copy of the Minute Order to Carlos Jimenez, e-mail: [cjimenez@countyof sb.org](mailto:cjimenez@countyof sb.org).

**Attachments:**

- A. County Letter of Reservation of Funds

**Authored by:**

Carlos Jimenez, Jr., Housing Program Specialist

**cc:**