



## Staff Report

Date: January 12, 2017  
 To: Santa Barbara County Capital Loan Committee  
 From: Laurie Baker, Grants and Program Manager  
 RE: Funding recommendations to proposed multi-family housing projects:

1. Sierra Madre Cottages, Peoples’ Self-Help Housing Corp, developer
2. The Residences at Depot Street, Housing Authority of the County of Santa Barbara, developer

The purpose of this staff report is to provide information on two requests for reservations of County HOME and/or In-Lieu funds for proposed affordable housing developments. The County’s Capital Loan Committee makes funding recommendations for consideration of approval by the County Board of Supervisors (Board) for eligible projects under the County’s affordable housing development programs.

The County receives an annual allocation of federal HOME Investment Partnership (HOME) funds from the U.S. Department of Housing and Urban Development (HUD) to be used to expand the supply of affordable housing to low-income households. The funds are administered by the Division of Housing and Community Development (HCD). HCD also administers funds collected from developers who pay a fee in-lieu of providing affordable units in their homeownership developments (in-lieu funds)

### 1. Sierra Madre Cottages

Sierra Madre Cottages is a 2.6 acre property (APN 125-232-005) located directly south of 624 East Camino Collegio, in Santa Maria. The Project will contain a mix of 36 1-bedroom, and 4 2-bedroom apartments, a total of 40 units for senior adults. One (1) of the units will be a Manager’s Unit. The Project will also include a 2,860 square foot Community Center (for resident use only) which includes a lounge, kitchen, library/computer room, laundry facilities, restrooms, and office space for the onsite manager and resident supportive services. Other amenities will include walking paths, and community garden space. The Project will provide affordable housing units for seniors with income levels of 30 to 60 percent of Area Median Income (AMI). PSHHC requested \$1.58 million in HOME and In-Lieu funds from the County of Santa Barbara to build the 40 affordable rental housing units. People’s Self-Help Housing Corporation (PSHHC) is the developer of this project and will be the General Partner in the limited partnership that will be created if low-income housing tax credits are awarded.

#### Application Review and Analysis

HCD utilized the services of Suzan Ehdaie to review the project’s Sources and Uses, and Proforma to confirm a funding gap. Ms. Ehdaie has prepared a written report (attached) and will present her analysis to the Capital Loan Committee.

Project Sources and Uses

The construction sources of about \$11 million include a construction loan from a private banking institution, federal HOME and CDBG funds from the City of Santa Maria, HOME and in-lieu funds from the County of Santa Barbara, a “Neighborworks” grant contributed to the project in the form of a loan, equity from the Limited Partner and General Partner, and deferred post construction costs. These funds will be used for land acquisition, construction, architectural fees, permanent financing, reserves, appraisal, developer costs, and legal fees.

<u>Construction Fund Sources</u>	<u>Amount</u>	<u>Permanent Fund Sources</u>	<u>Amount</u>
Construction Loan	\$ 6,096,430	Perm Loan Tranche A	\$ 1,138,000
City of Santa Maria-CDBG	\$ 651,853	Perm Loan Tranche B	\$ 388,000
City of Santa Maria-CDBG & HOME	\$ 350,738	City of Santa Maria-CDBG	\$ 651,853
County HOME	\$ 500,000	City of Santa Maria-CDBG & HOME	\$ 350,738
County In Lieu	\$ 1,080,000	County HOME	\$ 500,000
Neighborworks Grant	\$ 500,000	County In Lieu	\$ 1,080,000
Deferred Developer Fee	\$ 200,000	Neighborworks Grant	\$ 500,000
Limited Partner Equity (Net)	\$ 619,353	Deferred Developer Fee	\$ 200,000
Costs Deferred Post Const	\$ 1,003,748	Limited Partner Equity (Net)	\$ 6,193,531
<b>Total</b>	<b>\$ 11,002,122</b>	<b>Total</b>	<b>\$ 11,002,122</b>

<u>USES OF FUNDS</u>	<u>Amount</u>
Land Cost/Acquisition	\$ 879,713
Site Work	300,000
Structures	5,492,567
Contractor GR/OP/Ins	768,959
Architect	210,760
Survey/Engineering	139,850
Interest and fees	638,517
Legal	55,000
Oper reserve	119,041
Appraisal	15,000
Contingency	274,628
Other	798,604
Dev profit	1,199,482
Syndication	110,000
<b>Total</b>	<b>\$ 11,002,122</b>

HCD is recommending a reservation in the amount of \$800,000. This amount represents 7% of the total development costs and \$20,000 per unit, which are in line with recent historical County funding amounts to projects.

Capital Loan Committee Action

HCD staff is seeking concurrence from the Capital Loan Committee of staff’s funding recommendation in the amount of \$800,000. The Committee may recommend a different amount of funds to the project.

Enclosed are project documents for review by the Committee, which are listed below as attachments.

The Committee’s recommendation will be forwarded to the County Board of Supervisors at a regularly scheduled meeting, tentatively scheduled for February 14, 2017.

The California Tax Credit Allocation Committee (CTCAC) will announce awards of tax credit on or about June 7, 2017. If the project is awarded an allocation of tax credits, staff will return to the Capital Loan Committee and the County Board of Supervisors for a firm commitment of County funds. The amount of County funds recommended may be adjusted based on actual bank financing, tax credit equity pricing and other funding commitments.

2. The Residences at Depot Street

The proposed project includes a total of 80 residential dwelling units, divided between two separate buildings. The units offered are all single floor, and include studio, 1-bedroom, 2-bedroom and 3-bedroom units. The buildings are proposed to be three stories and served by elevator and communal stairs. An off street surface parking area is provided along the western and northern property boundaries. Carports will be provided over the parking along the western boundary to accommodate solar panels. Project funding may require the buildings to be constructed in two distinct phases on the site plan.

In addition to the living units, there will be interior common meeting areas for resident support services, a community meeting room, computer lab, and clinic. Landscaped areas are provided off street for family recreation. The project will also include a small commercial office that will be leased by Surf Development Company, a non-profit affiliate of the Housing Authority.

Application Review and Analysis

HCD utilized the services of Timothy Maloney to review the project’s Sources and Uses, and Proforma to confirm a funding gap. Mr. Maloney has prepared a written report (attached) and will present his analysis to the Capital Loan Committee.

Project Sources and Uses

SOURCES OF FUNDS

<b><u>Construction Phase</u></b>	<b><u>Amount</u></b>	<b><u>Permanent Phase</u></b>	<b><u>Amount</u></b>
Construction Loan	19,403,558	Permanent loan	4,000,000
Tax Credit Equi-LIHTC/Solar	4,224,134	Tax Credit Equity-	21,120,671
Seller Land Loan	725,000	Seller Land Loan	725,000
In-Lieu Funds	1,800,000	In-Lieu Funds	1,800,000
MHSA	2,372,845	MHSA	2,372,845
GP Equity	49,421	GP Equity	49,421
Deferred Costs	<u>1,702,341</u>	Deferred Costs	<u>209,362</u>
	30,277,299		30,277,299

USES OF FUNDS

<b><u>Construction Phase</u></b>	<b><u>Amount</u></b>	<b><u>Permanent Phase</u></b>	<b><u>Amount</u></b>
Land Cost/Acquisition	725,000	Land Cost./Acquisition	725,000
Site Work	3,688,410	Site Work	3,688,410
Structures	15,382,583	Structures	15,382,583
Contractor Fees	2,242,324	Contractor Fees	2,242,324

Financing Costs	1,189,272	Financing Costs	1,189,272
Soft Costs	3,843,000	Soft Costs	3,843,000
Reserves	1,006,710	Reserves	1,006,710
Developer Fee	<u>2,200,000</u>	Developer Fee	<u>2,200,000</u>
	30,277,299		30,277,299

HCD is recommending a reservation in the amount of \$1,800,000. This amount represents 7% of the total development costs and \$22,500 per unit, which are in line with recent historical County funding amounts to projects.

Capital Loan Committee Action

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**Availability of County Funds**

HOME Funds

Balance of HOME funds from prior year allocations	458,529
Estimated FY 2017-18 allocation	369,694
HOME Program Income	<u>1,145,605</u>
TOTAL	1,973,828

IN-LIEU FUNDS

<u>Housing Market Area</u>	
South Coast	74,637
Santa Maria	1,155,190
Lompoc	32,501
Santa Ynez	<u>274,903</u>
TOTAL	1,537,231

CDBG PROGRAM INCOME 235,728

**HCD Recommendations**

<b>HOME</b>	<b>In-Lieu</b>	<b>CDBG</b>	<b>Uses</b>	<b>Project</b>	<b>Notes</b>
1,973,828	1,155,190				Santa Maria HMA
			800,000	Sierra Madre Cottages - PSHHC	
			1,800,000	Residences at Depot Street - HASBARCO	
	74,637	225,363	300,000	Habitat for Humanity - 3 htownshp units	South Coast HMA
	274,903		274,903	Buellton Project/+ \$225,097 2018 HOME	
Total Sources	3,703,921				
Total Uses	<u>3,174,903</u>				
Balance	529,018				

END OF STAFF REPORT

Attachments:  
 Project financial spreadsheets  
 Consultant reports

cc: Dinah Lockhart, Deputy Director Housing and Community Development  
 George Chapjian, Community Services Director

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