



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: February 25, 2014

TO: Mayor and Councilmembers

FROM: Administration, Housing and Human Services Division, Community Development Department

SUBJECT: Request To Amend Homeowners' Affordability Covenant On Property Located At 3965 Via Lucero

RECOMMENDATION: That Council:

- A. Approve amending the homeowners' affordability covenant to allow for a maximum household income of at or below 80% of Area Median Income (AMI) for future homeowners; and
- B. Authorize the Community Development Director to execute, subject to approval as to form by the City Attorney, related documents as necessary.

DISCUSSION:

Background:

In 2003, the City provided Habitat For Humanity of Southern Santa Barbara County ("Habitat") a City loan for \$240,000 in federal Home Investment Partnership ("HOME") Program funds. Habitat utilized these funds for land acquisition and pre-development costs to complete construction on the property located at 3965 Via Lucero (Project). The Project consists of 3 three-bedroom condominiums. Upon the sale of the units for \$280,000 each, the City financing was converted into three individual \$80,000 permanent loans with the qualified purchasers secured by their unit.

At the same time, each new owner executed a Grant of Preemptive Right: Resale Restriction Covenant, Option to Purchase, and Equity Sharing Agreement Secured by Performance Deed of Trust ("Covenant"). The 45-year Covenant stipulated that the homeowner and any subsequent purchasers qualify to purchase with a maximum income of at or below 50% of Area Median Income (AMI).

Current Request:

Habitat is requesting that the City approve amending the Covenant such that any future purchaser of these units would be required to have a City-verified household income at or below 80% AMI (an increase from the original 50% approved in 2007). This change

conforms to HOME program regulations and City policy. It also conforms to the provisions included in the covenants for the two other Habitat projects located at 618 San Pasqual and 822-824 East Canon Perdido.

Habitat is dedicated to break the cycle of poverty by providing simple, decent, and stable homeownership for low income residents. Staff is recommending approval of this request because it complies with HOME funding regulations, it aligns the AMI requirement with the other Habitat projects, and it will provide successful outcomes for the homeowners.

ATTACHMENT(S): January 9, 2014 Habitat Request Letter

PREPARED BY: David Rowell, Project Planner/DR/SLG

SUBMITTED BY: Bettie Weiss, Acting Community Development Director

APPROVED BY: City Administrator's Office



January 9, 2014

Deirdre Randolph
City of Santa Barbara
Community Development Programs Supervisor
630 Garden Street
Santa Barbara, CA 93101

RE: Habitat Affordability Covenant updates for 3965 Via Lucero

Dear Deirdre,

Thank you for your email of December 23 recapping the meeting between your staff and Jon Peterson from Habitat. We would like to move forward with a presentation to City Council to update the affordability covenant at Habitat's home at 3965 Via Lucero so that it conforms to our current policies, HUD regulations, and City policy.

As you know, Unit C of 3965 Via Lucero was repossessed through foreclosure in 2011 after many attempts to work with the very-low income homeowner on repayment and forbearance plans dating back to 2009. While we wished for a different outcome for that family, their ability to pay their mortgage at 50% AMI income was difficult, and unemployment made it impossible for them to retain ownership. As part of our selection process for our Canon Perdido homes, we maintained a list of those who qualified for that project, and offered the vacant Via Lucero home to the 13th family, the next in line after the 12 Canon Perdido families were confirmed. This family has rented the home from Habitat since the summer of 2013 while completing their sweat equity requirements at our Canon Perdido project.

At this time, we would like to enter into a purchase/sale agreement with this family. There will be a first and third mortgage payable to Habitat, and we intend to re-instate the City's second deed of trust at the time of resale, reflecting the City's investment of \$80,000 in HOME funds in this property. The governing document on this property is the Affordability Covenant, also known as the "Grant Of Preemptive Right: Resale Restriction Covenant, Option To Purchase, And Equity Sharing Agreement Secured By Performance Deed Of Trust," which runs with the land. We are writing to request that the affordability covenant also be updated to reflect our current policies, as follows:

1. Amend the covenant such that any future purchaser of this unit would be required to have a City-verified household income at or below 80% AMI (an increase from the original 50% approved in 2007). This conforms to HUD regulations, and will provide more successful

outcomes for our family partners. It also conforms to the provisions included in the covenants for our other projects on San Pascual and Canon Perdido, and will continue to be Habitat policy in the future.

2. Update the equity-sharing provisions in the Via Lucero covenant to reflect our current third deed of trust structure, used successfully on the San Pascual project and planned for the Canon Perdido project.
3. We would like City Council approval to update the Affordability Covenant at the time of any future re-sale of the other two units at Via Lucero as above, so that the covenants are uniform for all Habitat homes.

We understand that City Council must approve these changes, and we request that this item be placed on an agenda for their consideration. Thanks for your help and support on this issue.

Sincerely,

A handwritten signature in cursive script that reads "Joyce McCullough". The signature is written in black ink and is positioned below the word "Sincerely,".

Joyce McCullough
Executive Director