



CITY OF SANTA BARBARA

FINANCE COMMITTEE AGENDA REPORT

AGENDA DATE: February 3, 2015

TO: Finance Committee

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

SUBJECT: Additional HOME Funds To Peoples' Self-Help Housing Corporation For A New Affordable Housing Project At 510-520 N. Salsipuedes And 601 E. Haley Street

RECOMMENDATION:

That the Finance Committee consider and recommend City Council approval of a preliminary award of an additional \$500,000 of the City's Home Investment Partnership Program (HOME) funds to Peoples' Self-Help Housing Corporation for the development and construction of low income rental housing at 510-520 N. Salsipuedes Street and 601 E. Haley Street known as Jardin de las Rosas.

DISCUSSION:

Background

The City of Santa Barbara receives federal HOME funds annually that are used to promote affordable housing through activities such as acquisition, rehabilitation, new construction and tenant-based rental assistance. A Request for Proposals (RFP) was released by the City's Housing Division in October. Peoples' Self-Help Housing Corporation's (PSHHC) application meets the affordable housing priorities outlined in the City's five-year Consolidated Plan, the Housing Element, and the following RFP criteria:

- Developer's expertise with HOME funded projects and compliance with HOME regulations and funding guidelines
- Cost, financial feasibility and timing of the project
- Energy efficiency and conservation

Effective August 23, 2014, the HOME Final Rule was amended to provide that a participating jurisdiction may preliminarily award HOME funds for a proposed project but may not commit funds through a binding, a written agreement until all other financing for the project is secured. PSHHC is seeking Low Income Housing Tax Credits to

complete its project financing and City Council preliminary award of the HOME funds will assist in that effort.

Project Description & Financing

The Project consists of 40 rental units for very low and low-income households and one manager's unit. There will be five (5) one-bedroom, twenty-one (21) two-bedroom and fourteen (14) three-bedroom units, community space and an on-site laundry facility. Eight of the units will have project based section 8 vouchers. Through sustainable design and building methods, the Project will promote energy efficiency and conservation. The Project will exceed the Title 24 Energy Standards by 9.5% by utilizing florescent and LED lights, Energy Star rated appliances, water saving fixtures in kitchens and bathrooms, and low emissions VOC paint.

PSSHHC acquired the Property with financial assistance from the City's former Redevelopment Agency Housing Set-Aside Funds in the form of a \$2,000,000 acquisition loan. In 2013, the City provided a \$900,000 HOME loan for pre-development and construction costs.

The Project received final ABR approval on April 7, 2014 and construction will commence immediately if additional funding from the March 2015 9% Low Income Housing Tax Credits (LIHTC) application is secured.

Reserving this preliminary award will increase PSHHC's Low Income Housing Tax Credit (LIHTC) application score and significantly enhance PSHHC's chance of being awarded tax credits.

Project Costs

Site Acquisition/Prep:	\$ 2,065,000
Building Materials:	3,287,996
Professional Labor:	5,836,084
Architect/Eng/Permits/Fees:	4,283,973
<u>Contingency:</u>	<u>501,128</u>
Total:	\$15,974,181

Project Financing

Housing Set-Aside Loan:	\$2,000,000
HOME Loan:	1,400,000
Other Funding Sources:	2,138,180
<u>Low Income Tax Credits:</u>	<u>10,436,001</u>
Total:	\$15,974,181

HOME Funds

If the requested preliminary award of \$500,000 HOME funds is approved, PSHHC will be provided a letter to include with their application for LIHTC. If LIHTC are allocated to the Project, staff will return to Council to seek approval to formally commit the additional HOME Funds in the form of a loan.

The existing HOME loan agreement would be amended to reflect the total balance of \$1,400,000. The total principal amount shall bear 3 percent (3%) interest for a term of 55 years, maturing in 2070. Payments will be due on the loan on the "residual receipts" basis. No payments are due until the net income of the project, after payment of necessary operating expenses, is sufficient to support such payments. Any unpaid balance remaining at the end of the term is due and payable in full. These terms are typical of affordable housing loans. HOME regulations require that the project must be completed by July 30, 2017.

Community Housing Development Organizations

PSHHC is a qualified Community Housing Development Organizations (CHDO) meeting HOME regulations pertaining to experience, capacity and board representation. HOME regulations require that 15 percent (15%) of each year's HOME allocation be used on affordable housing projects developed by CHDOs. This proposal satisfies the HOME CHDO requirement.

Long-term Affordability

In consideration of the additional funding, the existing Affordability Control Covenant Imposed on Real Property (Covenant) will be amended to provide for additional HOME designated units from eight (8) to eleven (11). The HOME units will be designated as "floating units" and distributed proportionally by bedroom count throughout the project. A floating designation provides PSHHC flexibility to maintain the HOME-assisted units throughout the affordability period, although the specific unit(s) designated may vary with availability. The Covenant requires that the property remain affordable to low-income residents until the year 2105.

Closing Summary

High rents combined with a low supply of affordable housing opportunities make this project ideal for the City of Santa Barbara. Staff supports the proposed preliminary award and requests that the Finance Committee recommend that the City Council approve the \$500,000 HOME preliminary award to PSHHC.

BUDGET/FINANCIAL INFORMATION:

To adhere to the 2013 HOME Final Rule this request will be a two-step process. The first step is for Council to consider approval of a preliminary award. If the preliminary award is approved by Council and the Project is awarded the necessary LIHTC funding, staff will return to Council and request approval to convert the preliminary award to a loan commitment.

Finance Committee Agenda Report
Additional HOME funds to Peoples' Self-Help Housing Corporation For A New Affordable
Housing Project At 510-520 N. Salsipuedes And 601 E. Haley Street
February 3, 2015
Page 4

PREPARED BY: David Rowell, Housing Project Planner/DER/SG

SUBMITTED BY: George Buell, Community Development Director

APPROVED BY: City Administrator's Office