



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: April 26, 2016

TO: Mayor and Councilmembers

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

SUBJECT: Commitment Of HOME Funds And Revision To Documents To Comply With Low Income Housing Tax Credit Requirements For The New Affordable Housing Project At 510-520 N. Salsipuedes And 601 E. Haley Street (Jardin De Las Rosas)

RECOMMENDATIONS: That Council:

- A. Approve the conversion of a preliminary award of \$500,000 of the City's Home Investment Partnership Program (HOME) funds to a commitment;
- B. Increase allocation in the amount of \$500,000 to the existing HOME Loan Agreement No. 24,524 account;
- C. Approve Assignment and Assumption Agreement that assigns all contractual rights, duties and obligations of all City documents to Jardin de Las Rosas, LP;
- D. Approve the amendment to the former Redevelopment Agency of the City of Santa Barbara Loan Agreement No. 535 to conform with Low Income Housing Tax Credit requirements and Deed of Trust;
- E. Approve the amendment to Home Loan Agreement No. 24,524 and Deed of Trust;
- F. Approve the amendment of the Affordability Control Covenant Imposed on Real Property to conform with and be subordinated to Low Income Housing Tax Credit requirements;
- G. Approve the subordination of Loan Agreement No. 535 and Loan Agreement No. 24,524 and their respective Deeds of Trust to other project financing; and

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H. Authorize the Community Development Director to execute such agreements and related documents, subject to approval as to form by the City Attorney, as necessary.

DISCUSSION:

Project

Jardin de Las Rosas, located at 510-520 N. Salsipuedes and 601 E. Haley Street, will consist of 39 rental units restricted to very low and low-income households plus one manager's unit. There will be five (5) one-bedroom, twenty-two (22) two-bedroom and thirteen (13) three-bedroom units, community space and an on-site laundry facility ("Project"). Eleven (11) of the units will have project based Section 8 vouchers.

Background

In 2011, Peoples' Self-Help Housing Corporation (PSHHC) received a \$2,000,000 loan using former Redevelopment Agency Housing Set-aside Funds for acquisition of the property (Loan Agreement No. 535). This loan enabled PSHHC to land bank the site for future development of a new affordable housing project.

In 2013, the City provided a \$900,000 HOME Loan (Loan Agreement No. 24,524) for pre-development and construction costs, and the Project received final ABR approval on April 7, 2014.

On February 10, 2015, City Council approved reserving an additional \$500,000 of HOME funds for the Project. These funds were not committed via a written loan agreement at that time due to a new HOME program requirement that all funding (from all sources) for a project must be secured prior to committing HOME funds.

Upon dissolution of the Redevelopment Agency of the City of Santa Barbara, the City of Santa Barbara became the successor housing entity and assumed all existing housing obligations, including the Loan Agreement No. 535.

On June 25, 2015, PSHHC established a limited partnership known as Jardin de Las Rosas, LP to assume ownership of the Property and to secure Low Income Housing Tax Credits. PSHHC is the General Managing Partner of the Limited Partnership. Therefore, an Assignment and Assumption Agreement will be processed that assigns all contractual rights, duties and obligations of all City documents to Jardin de Las Rosas.

Jardin de Las Rosas, LP will utilize bond proceeds in conjunction with City financing, 4% Low Income Housing Tax Credits and other local financing to finance the construction of the Project.

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On January 21, 2016, Jardin de Las Rosas, LP was awarded 4% Low Income Housing Tax Credits by the Tax Credit Allocation Committee in the amount of \$6,641,976. In accordance with HOME requirements, City staff has verified that all non-City Project financing is now secured. Upon approval today, all City documentation will be finalized and the Project's construction will commence.

Project Permanent Financing

The total cost of the Project, including land acquisition, is \$18,414,853 and will be financed with the following loans in recording order:

Bond + Section 8	\$2,759,500
City of SB RDA Loan (#535)	2,000,000
City of SB HOME Loan (#24,524)	1,400,000
Sponsor Loan (PSHHC)	5,613,377
Tax Credit Equity	<u>6,641,976</u>
Total	<u>\$18,414,853</u>

The City Loans will be subordinate to the other project financing.

Loan Agreement No. 535

Loan Agreement No. 535 currently requires one hundred twenty (120) equal payments including three percent (3%) simple interest beginning the earlier of (a) twelve months after the issuance of a certificate of occupancy, or (b) February 1, 2018. These repayment terms are not allowed under Low Income Housing Tax Credit requirements. Therefore, Loan Agreement No. 535 will be revised to require payments due on a "residual receipts" basis and shall bear three percent (3%) simple interest with a term of 55 years. Any unpaid balance remaining at the end of the term is due and payable in full.

HOME Loan Agreement No. 24,524

The existing HOME Agreement No. 24,524 will be revised to increase the total principal balance to approximately \$1,400,000 (\$900,000 + \$500,000 plus accrued interest on disbursements made prior to the date of recordation). The revised HOME Agreement shall bear three percent (3%) simple interest for a term of 55 years with payments due on a "residual receipts" basis. Any unpaid balance remaining at the end of the term is due and payable in full.

Both revised loans will reflect Jardin de Las Rosas, LP as the owner/borrower.

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Long-term Affordability

The City's current recorded Affordability Control Covenant Imposed on Real Property (Covenant) requires that the property remain affordable to low-income residents for 90 years. The Covenant will be revised to reflect Jardin de Las Rosas, LP as the owner; will incorporate the required HOME affordability and compliance provisions; and will be subordinate to the affordability requirements contained in the Tax Regulatory Agreement for the first 55 years to comply with the Low Income Housing Tax Credit requirements.

BUDGET/FINANCIAL INFORMATION:

There are sufficient existing appropriations in the Home Fund to cover the proposed \$500,000 commitment.

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

SUBMITTED BY: George Buell, Community Development Director

APPROVED BY: City Administrator's Office