



CITY OF SANTA BARBARA

FINANCE COMMITTEE AGENDA REPORT

AGENDA DATE: April 25, 2017

TO: Finance Committee

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

SUBJECT: Loan Request From The Housing Authority Of The City Of Santa Barbara For A New Affordable Housing Project At 813 East Carrillo Street (Johnson Court)

RECOMMENDATION: That Finance Committee consider and recommend that City Council:

- A. Approve a request from the Housing Authority of the City of Santa Barbara (Housing Authority) for a \$1,000,000 loan to 813 East Carrillo, LP to support the development and construction of a new very low-income rental project for veterans located at 813 East Carrillo Street (Johnson Court);
- B. Authorize the appropriation of \$1,000,000 from Housing Successor Fund reserves to fund the requested loan; and
- C. 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:

Background & Project Description

The Housing Authority purchased the property located at 813 East Carrillo Street for the purpose of constructing a new affordable housing project for very low-income veterans. Johnson Court is designed as a three-story residential building with 17 housing units (16 one-bedroom affordable apartments and one two-bedroom manager's apartment) to serve very low-income veterans (Project). Approval of the requested loan will increase the Housing Authority's chances of obtaining an allocation of Low Income Housing Tax Credits.

Project Costs

Site Acquisition & Preparation	\$ 2,058,378
Structures	2,549,868
Contractor Fees	545,991
Financing Costs	563,486
Soft Costs	1,102,270
Reserves	403,158
Developer Fee	<u>621,282</u>
Total	<u>\$7,844,433</u>

Project Financing

The Low Income Housing Tax Credit (Tax Credit) program, coupled with local affordable housing dollars, is essentially the only vehicle available today for the development of affordable rental housing. The Housing Authority will apply for Tax Credits in July 2017. These Tax Credits will provide approximately 66 percent of the total project cost. The financing details on this Project are as follows:

Permanent Loan	\$1,100,000
Tax Credit Equity	5,157,906
Cal Lutheran Homes	500,000
City of Santa Barbara Loan	1,000,000
Solar Tax Credit Equity	80,992
Deferred Developer Fee	<u>5,535</u>
Total	<u>\$7,844,433</u>

The requested \$1,000,000 of City funding for this very low-income veterans project would result in a local housing subsidy cost of \$62,500 per unit, which is lower than the City's historical per unit subsidy of \$120,000.

If the Project is successful in obtaining a reservation of Tax Credits, construction will begin in January 1, 2018, and the building will be completed and occupied within 14 months of commencement of construction.

Project Ownership Structure

813 East Carrillo Street, LP (Partnership) will apply for Tax Credits and construct and own the new rental housing apartment building and the property. Similar to the Grace Village ownership structure, the Partnership will be comprised of a Limited Partner, which will have a 99.99 percent ownership with the tax credit investor, and a General Partner, which will own the remaining .01 percent. The Housing Authority will sell the land to the Partnership, and be the Project developer and property manager. The Housing Authority will retain the option to repurchase the Project and property at the end of the 15-year initial compliance period.

City Loan

If approved, the proposed \$1,000,000 City loan will have a 30-year term bearing 3 percent interest with a maturity date of 2047. Payments will be due on the loan on a “residual receipts” basis. No payments will be 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. Lending these funds at 3 percent can provide a return on investment of up to \$30,000 per year.

Long-term Affordability

An Affordability Control Covenant Imposed on Real Property (Covenant) will be recorded that covers the Project and requires that the property remain affordable to very low-income residents until the year 2107, or 90 years. A Tax Credit Regulatory Agreement, with a 55-year term, will be recorded with this Project’s tax credit financing that has similar affordability restrictions to the City’s Covenant. The City’s Covenant will be subordinate to the Tax Regulatory Agreement for the first 55 years.

BUDGET/FINANCIAL INFORMATION:

Funding for the proposed \$1,000,000 City Loan will come from a revolving affordable housing loan account that holds repayments in the Housing Successor Fund.

Closing Summary

Staff supports the proposed loan request because it contributes to the goal of eliminating homelessness among very low-income residents including veterans, and the Housing Authority is an exceptional developer and provider of affordable housing. Staff requests that the Finance Committee recommend that City Council approve a \$1,000,000 City loan to 813 East Carrillo, LP.

ATTACHMENT: Housing Authority Request letter dated January 30, 2017

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

SUBMITTED BY: George Buell, Community Development Director

APPROVED BY: City Administrator's Office



HOUSING

AUTHORITY OF THE
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January 30, 2017

David Rowell, Project Planner
Community Development Department
City of Santa Barbara
P. O. Box 1990
Santa Barbara, CA 93102-1990

RE: FUNDING REQUEST FOR 813 EAST CARRILLO STREET, JOHNSON COURT

Dear David:

The Housing Authority is in the planning and finance structuring process of a development project called Johnson Court. Johnson Court is a 17 unit affordable housing complex for veterans. The Housing Authority purchased the property for just under \$1 million and we already have established a limited partnership, 813 East Carrillo Street, L.P. The lot is about 15,000 square feet and we have a design for 16 affordable units and a manager's unit. The Housing Authority will be applying for 9 % tax credits in the Second Round, which is in late June 2017. We already have the \$1 million invested in the purchase and we would like to supplement that investment with a residual receipts loan of \$1 million from the City of Santa Barbara.

The total project cost will be about \$7.8 million (\$1 million land, \$5.5 million construction, \$1.3 million misc costs and fees) or \$458,000 per unit. It is difficult to project the tie-breaker at this time, but as always, the more government funding in the project, the higher the tie breaker score. With a City loan of \$1 million, the per unit City subsidy will be about \$59,000 per unit. We look to the City as our partner agency to succeed in producing needed affordable housing and request that the City consider funding \$1 million for the Johnson Court project.

We appreciate your efforts to support the development of new affordable housing units. Please contact me if you have any questions about this request or if require additional information.

Sincerely,

HOUSING AUTHORITY OF THE
CITY OF SANTA BARBARA



SKIP SZYMANSKI
Deputy Executive Director / COO