



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 28, 2011

TO: Mayor and Councilmembers
Agency Chair and Boardmembers

FROM: Housing and Redevelopment Division, Community Development Department

SUBJECT: Adoption Of Resolutions To Approve The Housing Project Cooperation Agreements And Promissory Note Between The Redevelopment Agency And The City Of Santa Barbara For The Completion Of All Redevelopment Agency Affordable Housing Projects and Programs

RECOMMENDATIONS:

- A. That the Agency Board adopt, by reading of title only, A Resolution of the Redevelopment Agency of the City of Santa Barbara Approving the Peoples' Self Help Housing Project Cooperation Agreement and Promissory Note Dated June 28, 2011 with the City of Santa Barbara And Transferring \$2.2 Million in Housing Setaside Funds to the City to Facilitate an Affordable Housing Project by Peoples' Self Help Housing Corporation And Approving the Housing Setaside Fund Cooperation Agreement dated June 28, 2011 with the City of Santa Barbara And Transferring All of the Agency's Right, Title and Interest to the Existing Agency Loan Accounts and to the Future Housing Setaside Fund Tax Increment and Authorizing the Executive Director, Subject to Approval of Agency Counsel, to Execute Said Agreements; and
- B. That Council adopt, by reading of title only, a Resolution of the Council of the City of Santa Barbara Approving the Peoples' Self Help Housing Project Cooperation Agreement and Promissory Note Dated June 28, 2011 with the Redevelopment Agency of the City of Santa Barbara and Accept \$2.2 Million in Housing Setaside Funds to Facilitate an Affordable Housing Project by Peoples' Self Help Housing Corporation And Approving the Housing Setaside Fund Cooperation Agreement dated June 28, 2011 with the Redevelopment Agency And Accepting All of the Agency's Right, Title and Interest to the Existing Agency Loans Accounts and To The Future Housing Setaside Fund Tax Increment Revenues and Authorizing the City Administrator, Subject to Approval of the City Attorney, to Execute Said Agreements.

EXECUTIVE SUMMARY:

The Redevelopment Agency of the City of Santa Barbara's Central City Redevelopment Project Area ("CCRP"), by its terms, will expire in August 2015. It was anticipated that as the expiration of the CCRP approached, the City and Agency would enter into cooperation agreements as authorized by California Redevelopment Law ("CRL") and the Redevelopment Plan for the Central City Redevelopment Project Area ("CCRP") to transfer to the City all of the Agency's existing Housing Setaside funds, all accounts receivable from Agency Loans and all future tax increment to facilitate the completion of anticipated housing projects, preservation of affordable housing supply in the City and maintenance of the Housing program. The funds are necessary, over time, to provide low and moderate income housing and the administration of the Housing Program. . Management of the Agency's housing program includes the administration of loans and grants, enforcement of affordable housing covenants, inspections, annual monitoring and other activities required by contract and state law. A list of all loans made by the Agency from the Housing Setaside Fund for affordable housing purposes is attached hereto as Attachment 1 and incorporated herein.

The transfer of the Agency's real property to the City was approved by the Agency Board and City Council on June 7, 2011 and deeds were submitted to the County for recordation on June 17, 2011. The Agency's transfer, and the City's acceptance, of all Redevelopment projects, including all existing and future tax increment revenue needed to carry-out those projects, was approved by the Agency Board and Council on June 21, 2011.

In 2003, the Agency and City entered into the Multi-Year Cooperation Agreement wherein the City agreed to fund and carry-out all redevelopment projects, including affordable housing projects and programs, on behalf of the Agency. In return, the Agency agreed to reimburse the City for all of its expenditures with tax increment received by the Agency over the remaining years of the CCRP. Due to the approaching expiration of the CCRP in August 2015, it is prudent that the Agency and Council memorialize the agreements set forth in the 2003 Multi-Year Cooperation Agreement.

In today's action, the Agency Board and City Council will be asked to approve two agreements which, together, will result in the transfer to the City of (i) all affordable housing loans, along with their associated accounts (ii) all future affordable housing tax increment revenues and, (iii) approximately \$2.2 million in current housing setaside funds to be used by the City to facilitate a housing project by Peoples' Self Help. The Agency Board and Council will also be asked to authorize the Executive Director and City Administrator to execute the two Housing Project Cooperation Agreements and associated promissory note, subject to approval of the Agency Counsel and the City Attorney.

Approval of the two proposed agreements and note will contractually obligate the City to undertake and fund the affordable housing activities, as provided for in the Redevelopment Plan and contemplated in the 2003 Multi-Year Cooperation Agreement,

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for the duration of the CCRP and the Agency to reimburse the City for its costs from available and future tax increment revenue. After the transfer, and until 2015 when the CCRP expires, there will be no noticeable difference in how the Agency operates or achieves its goals. Future affordable housing projects, loans and grants will continue to follow the existing practices of the Redevelopment Agency as defined by the Redevelopment Agency Board and governed by California Redevelopment Law.

BACKGROUND:

Originally formed in 1972 and activated in 1977, the City of Santa Barbara Redevelopment Agency's (Agency) CCRP is scheduled to expire in August of 2015. Since its inception, the Agency has received more than \$275 million in tax increment revenue through Fiscal Year 2010. As required by the CRL, twenty percent of these funds, or approximately \$54 million, has been allocated to the affordable Housing Setaside Fund and used to increase, improve and preserve the supply of low and moderate income housing in the City..

Redevelopment funding is the second largest source of funding for affordable housing, behind only the federal government. Locally, the City of Santa Barbara Redevelopment Agency's affordable housing projects have included over \$54 million in affordable housing funding in the form of grants and loans through Fiscal Year 2010. There are approximately thirty-seven thousand housing units in Santa Barbara and approximately eight percent of the housing units in the City are affordable under long-term restrictions. Notable affordable housing projects have included St. Vincent's, Casa de las Fuentes, El Carrillo, Garden Court, Artisan Court, Mental Health Association and many others. The affordable housing funding has also successfully been used to leverage many millions more in affordable housing funds through tax credit allocations, and other Federal and State programs.

2003 Multi-Year Cooperation Agreement: On December 16, 2003, the City Council adopted Ordinance No. 5301 approving a Multi-Year Cooperation Agreement between the City and the Agency. The Multi-Year Cooperation Agreement contractually obligates the City, on behalf of the Agency, to fund and undertake all capital redevelopment projects located in the CCRP and all affordable housing activities in the City. In return, the Agency is obligated to reimburse the City from available and future Housing Setaside tax increment for the costs it incurs to carry out the projects and programs. The Multi-Year Cooperation Agreement creates an Agency debt that must be repaid to the City from the tax increment proceeds received by the Agency until the Agency reaches its tax increment cap or the year 2025, whichever occurs first.

The Multi-Year Cooperation Agreement implements Section 418 of the Redevelopment Plan which requires the Agency to allocate 20% of tax increment revenue to the Housing Setaside Fund. Section 418 authorizes the use of the Housing Setaside Fund for all activities that serve to increase, preserve and improve the supply of affordable housing in the City.

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In accordance with the CRL, and as provided in Section 700 et. seq. of the CCRP's Redevelopment Plan, in order to accomplish the goals and objectives of the Plan, it is appropriate to adopt the proposed resolutions to approve the Peoples' Self Help Housing Project Cooperation Agreement and related promissory note dated June 28, 2011 and the Housing Setaside Fund Cooperation Agreement dated June 21, 2011 which will result in the transfer to the City of approximately \$2.2 million in currently available Housing Setaside Funds and all of the Agency's right, title and interest in existing loan accounts receivable and the future Housing Setaside Fund tax increment revenue. These revenues necessary for the City to fund the completion of the many long-planned affordable housing projects and for the continued implementation and administration of the Affordable Housing Program..

DISCUSSION:

Peoples' Self Help Housing Project Cooperation Agreement :

In accordance with CRL, tax increment revenues must be split with a minimum of 20% going to affordable housing and a maximum of 80% going to redevelopment projects. There currently exists a balance in the 20% Housing Setaside Fund of approximately \$2.2 million. These funds are required to be spent on qualified affordable housing programs.

The first agreement for Council and Agency Board consideration is the People's Self Help Housing Cooperation Agreement and promissory note which will transfer to the City the currently available Housing Setaside Funds which will provide the to provide the necessary funding and management by the City to facilitate the future expenditure of those funds by Peoples' Self Help Housing Cooperation. On January 25, 2011 the Redevelopment Agency Board approved a loan of \$2 million to Peoples' Self-Help Housing Corporation (PSHHC) for the purchase of 3 parcels at the corner of Haley and Salsipuedes. PSHHC has executed the Agency's Grant Agreement and opened escrow on the three parcels at 510-520 Salsipuedes St. and 610 E. Haley St. for future development of an affordable rental housing project for low-income families. The properties currently contain a total of five residences, three of which are vacant. There are also some old structures formerly used for light industrial purposes. The purchase is contingent on the sellers' complete remediation, to residential standards, of contaminated soil areas that were discovered through soil borings. Trak Environmental Group has been retained to excavate the areas and do additional soil sampling to assure that all contaminated soil on the site has been removed. The remediation process is expected to take several months to complete. Escrow will not close until the County Fire Department has issued its compliance findings. After the close of escrow, PSHHC will proceed with the project design and City development review. PSHHC will need an additional subsidy of at least \$2.2 million in order to complete the project financing through completion.

Housing Setaside Fund Cooperation Agreement:

The second agreement for Council and Agency Board consideration is the Housing Setaside Fund Cooperation Agreement. This Agreement implements the provisions contained in the Multi-Year Cooperation Agreement and Section 418 of the Redevelopment Plan. Through this Agreement, the Agency will transfer to the City all of the Agency's right, title and interest to the Agency's loan accounts. A list of all outstanding Agency Affordable housing Loans is provided in Attachment 1 and incorporated herein. The list indicates that as of June 2011, there is \$42,867,456 in loan balances. Most of the loans were provided to local nonprofit developers in order to develop multifamily rental housing, both in terms of new construction and acquisition/rehabilitation. Some of the loans helped individuals with down payment assistance for ownership units. All of the loans helped to create decent housing affordable to low and moderate income households. Please note that an additional \$2 million was appropriated to the Housing Authority by the Agency Board on June 21, 2011 bringing the new total to \$44,867,456.

The origination dates of the loans range over several decades, and the term of the loans vary widely - from 20 to 60 years. Thus, the repayment dates for the loans listed on Attachment 1 also vary widely. All of the loans have unpaid balances of varying amounts, and all will expire no later than 2071.

Additionally, the Housing Setaside Fund Cooperation Agreement will transfer to the City of all of the Agency's right, title and interest in the future tax increment to be paid into the Housing Setaside Fund. The Housing Setaside Fund will receive tax increment until 2025, or the tax increment cap is reached, whichever occurs first. It is estimated that the Housing Setaside Fund could receive approximately \$31.5 million in future tax increment.

The Housing Setaside Fund Cooperation Agreement obligates the City to utilize the loan repayment proceeds, accrued interest, and future Housing Setaside Fund tax increment revenue to re-invest in low and moderate income housing projects and for purposes of increasing, improving, and preserving the community's supply of low and moderate income housing.

The approval of the Housing Setaside Fund Cooperation Agreement and the transfer to the City of the associated Agency loans and future Housing Setaside Fund tax increment will help to carry out the goals and purposes of the CRL, the Redevelopment Plan and the Multi-Year Cooperation Agreement. The Agreement will ensure the continued efforts on behalf of the Agency to increase, improve and preserve the City's supply of affordable housing and allow for the continued enforcement of existing covenants, contracts and other obligations arising from loans and affordable housing projects.

It should be noted that there are no anticipated changes to the manner in which these housing projects and programs are carried out by the Agency Board and City staff. Moreover, neither cooperation agreement binds the City or Agency to any particular project. All projects must receive the appropriate City discretionary review including review under the California Environmental Qualify Act and must fully comply with all City, state and federal requirements.

BUDGET/FINANCIAL INFORMATION:

In the past, the Agency has held its own funds and transferred funds to facilitate affordable housing projects to the City of Santa Barbara at appropriate points as necessary to reimburse the City for its funding pursuant to the Multi-Year Cooperation Agreement.

If the Peoples' Self Help Housing Project Cooperation Agreements is approved, available Housing Setaside Funds (\$2.2 million) would be transferred immediately to assist in the City's facilitation of this planned low and moderate income housing project.

If the Housing Setaside Fund Cooperation Agreement is approved, all loan balances will be assigned to the City and -all future tax increment revenue paid into the Housing Setaside Fund will be transferred to the City as those funds become available. Under the proposed agreements, any unexpended housing funds and earned interest would be invested by the City and applied to assist in financing low and moderate income affordable housing projects.

NOTE: The Example Affordable Housing Program Cooperation Agreement and the Example Promissory Note are available in the Council Reading File and the City Clerk's Office

ATTACHMENT: 1. List of Agency Affordable Housing Loans

PREPARED BY: Brian J. Bosse, Housing and Redevelopment Manager/MEA/SK

SUBMITTED BY: Paul Casey, Assistant City Administrator

APPROVED BY: City Administrator's Office

**List of Agency Affordable Housing Loans
Loan Balances as of 6-22-11**

Loan Recipient	Balance Amount
BETH PALMER	\$15,000.00
KRISTIN FRASCELLA	\$9,699.63
BATES & TUCKER	\$21,334.95
CAROL SMAGALA	\$73,686.15
JOSE CASILLAS	\$5,750.94
JOE GONZALEZ	\$7,183.09
EMMET HAWKES	\$153,372.36
DEBBIE HUGHEY	\$8,172.96
ELIZABET ANN HARRISON	\$4,300.66
GEORGIA LEE HILLIGOSS	\$2,643.17
ANDREW HEIDEMANN	\$4,354.70
SANDRA J LAYLAND	\$4,371.62
ALAIN & NANCY DUBIE	\$4,302.37
LESLIE MC GANN	\$4,485.09
WILLIAM FIGUEROA	\$4,301.74
LOUISE CHADWICK	\$4,473.11
JOHN HERRERA	\$4,654.90
SUSAN K YATES	\$4,507.68
MICHELLE WISE	\$3,848.39
LINDA D WALTERS	\$4,776.56
JULIA R. NEUFELD	\$4,441.82
JOSE ESPARZA	\$3,664.42
EMMET HAWKES	\$121,928.40
FERNANDO RODRIGUEZ	\$9,175.11
JACK CASEY	\$10,575.88
AGUSTIN DE GUEVARA	\$7,818.87
ROY VILLAREAL	\$8,353.04
RAISSA VERONIQUE	\$9,020.94
TIM CLEVELAND	\$4,617.70
ALVARO & SARAH MORALES	\$21,362.52
LUCY O'BRIEN	\$5,126.81
DONNA BRYAN	\$6,573.74
FELECIA LYN PRICE	\$30,429.45
MARK D JOHNSON	\$15,346.41
RAMIRO ZUNIGA	\$15,884.56
DAVID GUAJARDO	\$37,847.75
SERGIO TOPETE	\$31,015.67
PATRICK O'DONNELL	\$39,954.15
OSCAR SHI	\$37,424.30
EDWARD F. UNDERHAY	\$46,549.75
MATT MORAN	\$29,425.91
FRANCIS SCORZELLI	\$34,004.26
CYNTHIA RUANO	\$37,872.63
VIRGINIA HOWARD	\$40,539.94
PETER MCCORKLE	\$40,253.00

Loan Recipient	Balance Amount
SANCTUARY PSYCHIATRIC CENTERS	\$346,454.63
JANA HALL	\$40,000.00
DEANNA TARTAGLIA	\$36,766.44
MARK & SUSAN CROSHAW	\$29,053.94
LEE AND KAY HOLZINGER	\$40,000.00
REBECCA SNOW	\$40,000.00
THEODORE & CAROLYN KASTER	\$40,000.00
IGNACIO & ELAINE LOPEZ	\$39,963.34
JOHN HOUSH	\$40,000.00
SO COAST HOUSING, INC.	\$1,037,189.99
Pueblo Nuevo/Faulding Hotel	\$1,218,500.00
HOTEL DE RIVIERA 125 W. CARRILLO	\$468,500.00
821 Bath Street	\$470,000.00
CYPRESS TREES APTS., INC.	\$25,000.00
434 East Ortega Street	\$453,629.95
H.F.P.(827 W. ANAPAMU ST.)	\$42,609.57
SHELTER SERVICES FOR WOMEN	\$430,000.00
47 Broadmoor Plaza	\$571,143.02
RANCHERIA VILLAGE	\$560,000.00
EL PATIO COMMUNITY PROJECT	\$3,022,994.00
H.F.P.(ADMIN EXPENSES)	\$20,000.00
322 Ladera Street	\$1,002,643.00
1116 De La Vina Seniors	\$2,750,000.00
514-520 W. Sola	\$243,278.00
518 East Canon Perdido	\$189,000.00
Mercy Charities-St Vincent 4200 Calle Real	\$37,000.00
Coalition for Homeless Shelter	\$300,000.00
TRANSITION HOUSE, INC.	\$320,000.00
521 N. LaCumbre Santa Barbara Housing Authority	\$886,700.00
922 Castillo/335 W Carrillo-HASB	\$1,284,700.00
315,319,321 W. Carrillo-HASB	\$1,775,000.00
Three(3) Chapala Lofts @ \$15k	\$45,000.00
St Vincent's Family Hsg-4200 Calle Real	\$8,524,950.89
St Vincent's Senior Hsg-4200 Calle Real	\$2,000,000.00
309 S. Voluntario	\$980,000.00
CORONEL PLACE, INC.	\$564,628.30
416-424 E Cota/517 Olive-HASB	\$2,000,000.00
416-424 E Cota/517 Olive-HASB	\$2,000,000.00
617 Garden St.-Mental Health Assoc.	\$2,800,000.00
512-518 Bath Street-HASB	\$4,800,000.00
421-425 East Cota-Mom's-Transition House	\$53,253.00
421-425 East Cota-Mom's-Transition House	\$60,488.00
Artisan Court L.P.	\$284,583.00
SUBTOTAL HOUSING LOANS @ 5/31/11	\$42,867,456.17
Bradley Properties - HASB - Approved 6-22-11	2,000,000
TOTAL	\$44,867,456.17