

CITY OF SANTA BARBARA

ORDINANCE COMMITTEE
MEETING

MEETING AGENDA

DATE: May 9, 2023
TIME: 12:00 p.m.
PLACE: Council Chambers;
4617 Quicksilver Blvd.
Austin, TX 78744

Oscar Gutierrez, Chair
Mike Jordan
Kristen W. Sneddon

Office of the City
Administrator

Office of the City
Attorney

Nicole Grisanti
Supervisor, City Administrator's Office

Sarah J. Knecht
Acting City Attorney

PUBLIC COMMENT: Members of the public wishing to speak must "raise their hand" in the Zoom platform by selecting the virtual hand icon when their item is called. When persons are called on to speak, their microphone will be activated by City staff and the speaker will be notified that they can now unmute themselves in order to begin speaking. The speaker will then need to unmute themselves by selecting the 'mute/unmute' icon or pressing Option+Y for MAC users or Alt+Y for Windows users on their keyboard.

For those who need accessibility accommodation in using the "raise hand" function and/or registering to participate in the ZOOM session, please contact the City Administrator's Office by 5:00 p.m. the day before the meeting for assistance. Additionally, a speaker may email NGrisanti@SantaBarbaraCA.Gov by 5:00 p.m. the day before a meeting, stating the item on which they wish to speak.

Please click the link below to join the webinar:

<https://santabarbaraca-gov.zoom.us/j/83631293092?pwd=bmtnRkdCNkVMTnQva3dVcGxnUVd4UT09>

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Webinar ID: 836 3129 3092

International numbers available: <https://santabarbaraca-gov.zoom.us/j/keETOJYKiP>

ITEMS FOR CONSIDERATION

SUBJECT: Ordinance Discussion Draft to Create the Housing Opportunities, Preservation, and Equity (HOPE) Fund Pursuant to Charter Section 1215

RECOMMEDATION: That the Ordinance Committee review the Ordinance Discussion Draft to Create the Housing Opportunities, Preservation, and Equity (HOPE) Fund and direct staff to return with revised Ordinance to review for Council introduction.



CITY OF SANTABARBARA

ORDINANCE COMMITTEE REPORT

AGENDA DATE: May 9, 2023

TO: Ordinance Committee

FROM: Housing and Human Services Division, Community Development Department

SUBJECT: Ordinance Discussion Draft to Create the Housing Opportunities, Preservation, and Equity (HOPE) Fund Pursuant to Charter Section 1215

RECOMMENDATION:

That the Ordinance Committee review the Ordinance Discussion Draft to Create the Housing Opportunities, Preservation, and Equity (HOPE) Fund and direct staff to return with revised Ordinance to review for Council introduction.

EXECUTIVE SUMMARY:

The establishment of a new housing fund was initiated by City Council on October 4, 2022, in an effort to address the City's housing crisis. The Housing Opportunities, Preservation, and Equity (HOPE) Fund will support a variety of housing-related initiatives, including new development, acquisition, and rehabilitation of real properties. The fund will also support programs and services that assist households that qualify for assistance and will focus, in particular, on meeting the needs of the local workforce and assisting people struggling to afford or maintain existing housing.

On March 7, 2023, Council voted unanimously to refer the item to the Ordinance Committee for further discussion over several meetings due to the complexities of establishing the HOPE Fund. The meetings were requested in order to first delineate each of the elements to be included in the draft of the ordinance in a workshop-type environment where the public can provide input and pose questions, and then in a subsequent meeting, to review the resulting draft ordinance to recommend a version to the full Council.

DISCUSSION:

Proposal

The proposed ordinance would:

- Establish a new HOPE Fund supported by a variety of funding sources, including but not limited to: philanthropic donations, private foundation–based funding, grants, nonprofit organizational funding, charitable trusts’ and organizations’ donations, for-profit entity investments, private-equity funds, limited-equity housing cooperatives’ monies, venture capital, investment and portfolio funds, bond funds, fundraising proceeds, housing trust funds, community development banks, community housing grants, employer-sponsored funding, property developers, local business and employers’ donations, credit unions’ funding, land banks, property donations, property equity loans, the City’s General Fund, special tax measures, and private wills. At the discretion of the City Administrator, the fund may receive monies from other sources.
- Provide assistance to housing development corporations, for-profit and nonprofit organizations, and other governmental agencies to provide down payment assistance to owner-occupant buyers, tenant-based rental assistance contracts of up to two years that can be renewed upon Community Development Director approval, owner-occupied home repair assistance, payment of relocation expenses (including to individual households in emergency situations), payment of security deposits on rental units, and payment of rents in arrears to prevent displacements.
- Provide up to \$250,000 of the fund balance to a legal-aid organization or other law firm offering significantly reduced rates to assist Lower-Income Households¹ with legal representation for defense of their tenant rights (right to counsel).

Limitations

Eligible expenses will be restricted as described below:

- Monies deposited in the Fund must be used to increase, improve, or maintain the supply of affordable housing or provide certain approved affordable housing-related programs and services. Depending on the source of funds, and other legal

¹ Incomes up to 80 percent of Area Median Income (AMI) as determined by the U.S. Department of Housing and Urban Development (HUD) and amended from time to time.

restrictions, use of the Fund monies should benefit households that reside within the City. Eligible Households shall be limited to households with maximum household incomes up to 200 percent of the AMI as determined by HUD and amended from time to time, which includes Upper-Middle, Middle, Moderate-, Low-, Very Low-, and Extremely Low-Income Households (“Eligible Households”).

- Monies may also be used to cover the City’s purchase and resale of affordable housing units that are in default of the affordable control covenant recorded against that property.
- Up to 10 percent of the funds disbursed may be expended on reasonable administrative expenses or expenses associated with the administration of this Fund, including expenditures for program planning, project delivery costs, programs oversight, loan portfolio servicing, and compliance monitoring.

Terms

Funds will be provided according to the following terms, with the largest portion going to Capital expenses:

Capital Expenses: low-interest, amortized loans (with favorable repayment terms up to 30 years) will be provided for new development, property acquisition, and/or rehabilitation of properties to increase and/or improve the supply of affordable housing. Depending on financial projections, this may include partial deferments, and/or balloon payments upon term expirations.

Covered expenses include property acquisition costs, pre-development costs, hard and soft construction costs, and escrow and title transfer fees. Monies may also be used to cover the City’s purchase and resale of affordable housing units that are in default of the affordable control covenant recorded against that property to ensure retention of affordable housing stock within the City.

Programmatic Expenses: grants will be provided directly to entities providing programs that have been approved by the City’s Community Development Director for services, including but not limited to: down payment assistance to owner-occupant buyers, tenant-based rental assistance contracts of up to two years that can be renewed upon Community Development Director approval, owner-occupied home repair assistance, payment of relocation expenses in urgent or emergency situations, payment of security deposits for leases, and payment of rents in arrears to prevent tenant evictions and/or displacements.

Right to Counsel: grants will be provided directly to legal-aid agencies or other law firms offering significantly reduced rates, or paid to cover costs for staff that offer representation to Lower Income Households (households with less than 80 percent AMI) that would otherwise not be able to afford legal defense in tenant issues potentially resulting in eviction or forfeiture of the tenant's housing.

Administrative Expenses: charges to the fund for staff time spent to provide program planning, project and program delivery, program oversight, loans servicing, and compliance monitoring on capital projects with recorded restrictions shall be allowable expenses for up to 10 percent of the funds disbursed.

Affordability Restrictions

City policy imposes a 90-year affordability period on all City-assisted affordable housing projects. In order to incentivize affordable workforce housing development for households with incomes between 120 percent (Moderate-Income) and 200 percent AMI (Upper Middle-Income), Capital Projects receiving HOPE Funds will be allowed to reduce the 90-year standard affordability period based on the funding level. An example is shown in the table below.

Subsidy Amount (per unit)	Minimum period of affordability in years
Up to \$40,000	10
Over \$40,000 or rehabilitation involving refinancing	15
New Construction or acquisition of newly constructed housing	20

A sample list of current local workforce salaries earned, along with the table of current HUD AMI levels and salary ranges is included in Attachment 2.

Lower-Income Units (households with 80 percent AMI or less) will remain subject to the City's 90-year affordability term requirements and shall comply with the policies set forth in the City's Affordable Housing Policy and Procedures Manual.²

Community Participation and Fund Matching

In order to encourage community participation in raising funds for the HOPE Fund, the

² <https://santabarbaraca.gov/services/housing-human-services/affordable-housing>

City will prioritize requests to match private donors' contributions to approved projects and/or programs according to funding availability. In these instances, approval must be obtained from the Community Development Director for the City's matching portion of funding prior to final approval of projects and/or programs. A receipt of the private funding donation will be required and verified by the City before the City's funding is disbursed. All City funding will be given directly to the project, program, or service approved. No City funding will be given to an individual; rather, it must be given to the entity owning the project or providing the program or service approved.

Council Direction

At its meeting on March 7, 2023, Council voted unanimously to have the Ordinance Committee discuss in depth the different elements of the HOPE Fund. They encouraged public and stakeholder input along with staff-led question-and-answer sessions to better understand the potential issues affecting the fund.

Individual Councilmembers expressed their desire to learn more about the different elements proposed for the fund. The following topics were requested to be presented for further discussion: land banking, Affordable Housing, Regional Housing Needs Allocation (RHNA) requirements, loans versus leverage, for-profit developer projects and possible incentives, local worker preference, 90-year-rollover covenants, decreasing overhead, competitive processes, and residual-receipt loan term mechanisms.

BUDGET/FINANCIAL INFORMATION:

On December 6, 2022, City Council approved a budget allocation of \$2,883,548 from the City's General Fund as initial funding for the HOPE fund and \$250,000 for the "right to counsel" pilot program. Once the fund is established, staff will transfer the previously appropriated budget allocation into the fund. Individual projects and programs will be presented to Council for approval and funding allocation once submitted applications are processed and selected according to Affordable Housing Policies and Procedures.

ATTACHMENT:

1. HOPE Fund Ordinance Discussion Draft
2. Sample of Current Local Workforce Salaries and HUD AMI Table of Income Category Ranges

PREPARED BY: Laura Dubbels, Housing and Human Services Manager

SUBMITTED BY: Elias Isaacson, Community Development Director

APPROVED BY: City Administrator's Office

Discussion Draft

HOUSING OPPORTUNITIES PRESERVATION & EQUITY (HOPE) FUND

A. HOPE Fund. There is hereby established a separate City Affordable Housing Opportunities Preservation & Equity Fund (“Fund”) maintained by the City Finance Director. This Fund shall be comprised of a variety of sources of funding, including, but not limited to: philanthropic donations, private foundation-based funding, grants, non-profit organizational funding, charitable trusts and organizations donations, for-profit entity investments, private-equity funds, limited-equity housing cooperatives monies, venture capital, investment and portfolio funds, bond funds, fundraising proceeds, housing trust funds, community development banks, community housing grants, employer-sponsored funding, property developers, local business and employers donations, credit unions’ funding, land banks, property donations, property equity loans, the City’s General Fund, special tax measures, private wills, and may, at the discretion of the City Administrator, also receive monies from other sources. Private matching funding sources are encouraged on all programs and/or projects and are to be given directly to the HOPE Fund project or program recipients.

B. Purpose and Limitations. Monies deposited in the Fund must be used to increase, improve, or maintain the supply of housing or provide certain housing-related programs and services as set forth in Section D below. Depending on source of funds, and other legal restrictions, use of the Fund monies should benefit households that reside within the City of Santa Barbara. Eligible households shall be limited to households with maximum household incomes up to 200 percent of Area Median Income (AMI) as determined by the U.S. Department of Housing and Urban Development (“HUD”) and amended from time to time, which includes Upper-Middle, Middle, Moderate-, Low-, Very Low-, and Extremely Low-Income Households (“Eligible Households”). Fund monies may also be used to cover the City’s purchase and resale of affordable housing units that are in default of the affordable control covenant recorded against that property.

C. Administration. The Fund shall be administered by the Community Development Director, who may develop procedures to implement the purposes of the Fund consistent with the requirements of this ordinance and any adopted budget of the City.

D. Expenditures. Fund monies shall be used in accordance with the City’s Housing Element, and the City’s Affordable Housing Policies and Procedures (only applicable to Lower Income Housing), or subsequent plan adopted by the City Council to construct, rehabilitate, or subsidize affordable housing or assist other governmental entities or private organizations to do so. The Fund may be used for the benefit of both rental and owner-occupied housing.

Permissible uses shall fall within four categories: 1) Capital Expenses, 2) Programmatic Expenses, 3) Right to Counsel costs, and 4) Administrative Expenses, as follows:

- 1) Capital Expenses: assistance to housing development corporations, for-profit and non-profit organizations, and other governmental agencies with equity participation loans, pre-home ownership co-investment, pre-development loan funds, participation leases or other public-private partnership arrangements to build, buy (including long-term leases that are at least 10

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years or more), and/or rehabilitate housing for rent or ownership; or for other reasonable and necessary expenses related to the development of non-luxury housing, including site acquisition or improvement, demolition of dilapidated housing to make way for affordable housing development, local impact fees, environmental reviews, planning, design and architectural fees, and unavoidable time delay costs (“Capital Projects”).

- 2) **Programmatic Expenses:** assistance to housing development corporations, for-profit and non-profit organizations, other governmental agencies to provide down-payment assistance to owner-occupant buyers, tenant-based rental assistance contracts of up to 2 years that can be renewed upon Community Development Director approval, owner-occupied home repair assistance, payment of relocation expenses (including to individual households in emergency situations), payment of security deposits on rental units, and payment of rents in arrears to prevent displacements.
- 3) **Right to Counsel:** up to \$250,000 of the Fund balance shall be provided directly to legal-aid or other law firms offering significantly reduced rates, or paid to cover costs for staff to assist Lower Income Households with incomes up to 80 percent of Area Median Income (AMI) as determined by the U.S. Department of Housing and Urban Development (“HUD”) and amended from time to time, on costs associated with legal expenses to represent Eligible Households for defense of their tenant rights.
- 4) **Administrative Expenses:** up to 10 percent of the Fund balance as of July 1 annually is allowed to be used in the following fiscal year on reasonable administrative or related expenses associated with the administration of this Fund, including expenditures for program planning, project and program delivery costs, programs oversight, loan portfolio servicing, and compliance monitoring.

E. Funding Terms. Funds will be provided according to the following terms:

- 1) **Capital Expenses:** low-interest, amortized loans with favorable repayment terms up to 30 years will be provided for new development, property acquisition, and/or rehabilitation of properties to meet the purposes of Section B above. Depending on financial projections, this may include partial deferments, and/or balloon payments upon term expirations. Covered expenses include property acquisition costs, pre-development costs, hard and soft construction costs, and escrow and title transfer fees. Monies may also be used to cover the City’s purchase and resale of affordable housing units that are in default of the affordable control covenant recorded against that property to ensure retention of affordable housing stock within the City.
- 2) **Programmatic Expenses:** grants will be provided directly to entities providing programs that have been approved by the City’s Community Development Director for the following services: down-payment assistance to owner-occupant buyers, tenant-based rental assistance contracts of up to 2 years that can be renewed upon Community Development Director approval, owner-occupied home repair assistance, payment of relocation expenses in urgent or emergency situations, payment of security deposits for leases, and payment of rents in arrears to prevent tenant evictions and/or displacements.
- 3) **Right to Counsel:** grants will be provided directly to legal-aid foundations or other law firms that provide substantially reduced rates, or paid to cover costs for staff that offer representation to

Discussion Draft

Lower Income Households (households with less than 80 percent AMI) that would otherwise not be able to afford legal defense in tenant issues that would result in eviction or forfeiture of the tenant's housing.

- 4) **Administrative Expenses:** charges to the Fund for staff time spent to provide program planning, project and program delivery, program oversight, loans servicing, and compliance monitoring on capital projects with recorded restrictions shall be allowable expenses for up to 10 percent of the Fund balance annually, as of July 1 of each year.

F. Affordability Restrictions. City policy imposes a 90-year affordability period on City-assisted affordable housing projects. In order to incentivize affordable workforce housing development for households with incomes between 120 percent (Moderate-Income) and 200 percent AMI (Upper Middle-Income), Capital Projects assisted with HOPE Funds will be allowed to reduce the 90-year standard affordability period based upon the funding level to the following number of years:

Subsidy Amount (per-unit)	Minimum period of affordability in years
Under \$15,000	5
\$15,000 to \$40,000	10
Over \$40,000 or rehabilitation involving refinancing	15
New Construction or acquisition of newly constructed housing	20

Lower-Income Units (households with incomes less than 80% AMI) will remain subject to the City's 90-year affordability term requirements and shall comply with the policies set forth in the City's Affordable Housing Policy and Procedures Manual.

G. Community Participation. To encourage community participation in contributing to the Fund for the purposes listed in Section B above, the City will prioritize requests to match private donors' contributions to approved projects and/or programs according to funding availability. In these instances, approval must be obtained from the Community Development Director for the City's matching portion of funding prior to final approval of projects and/or programs. A receipt of the private funding donation will be required and verified by the City before the City's funding is disbursed. All City funding will be given directly to the project, program, or service approved. No City funding will be given to an individual and is required to be given to the entity owning the project or providing the program or service approved.

H. Community Development Director's Annual Report. The Community Development Director, with the assistance of the City Finance Director, shall report annually to the City Council on the status of activities undertaken with the Fund. The report shall include a statement of income, expenses, disbursements, and other uses of the Fund.

Current Santa Barbara Workforce Salaries & 2022 HUD Income Limits

Position Title	Average Salary Range	Does this fall into Moderate-Income level (120% AMI or below)?
Teacher	\$ 86,000 - \$127,000	No
Nurse	\$107,000 - \$161,595	No
Police	\$101,000 - \$136,000	No
Firefighter	\$ 89,000 - \$135,000	No



City of Santa Barbara Income Limits

Effective Date: 4/18/2022

Area Median Income: \$ 100,100

Income Category	% of Median	Household Size					
		1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
	<i>Household Size Adjustment</i>	<i>0.7</i>	<i>0.8</i>	<i>0.9</i>	<i>1</i>	<i>1.08</i>	<i>1.16</i>
Median	100%	\$ 70,070	\$ 80,080	\$ 90,090	\$ 100,100	\$ 108,108	\$ 116,116
Very Low	50%	\$ 48,900	\$ 55,900	\$ 62,900	\$ 69,850	\$ 75,450	\$ 81,050
Low	80%	\$ 78,350	\$ 89,550	\$ 100,750	\$ 111,900	\$ 120,900	\$ 129,850
Moderate	120%	\$ 84,084	\$ 96,096	\$ 108,108	\$ 120,120	\$ 129,730	\$ 139,339
Middle	160%	\$ 112,112	\$ 128,128	\$ 144,144	\$ 160,160	\$ 172,973	\$ 185,786
Upper-Middle	200%	\$ 140,140	\$ 160,160	\$ 180,180	\$ 200,200	\$ 216,216	\$ 232,232