

# Lompoc City Council

## *Lompoc Redevelopment Agency*

### *Agenda Item*



**Meeting Date:** September 16, 2008

**TO:** Gary P. Keefe, City Administrator/Executive Director

**FROM:** Linda R. Wertman, Redevelopment Program Coordinator  
*e-mail: [L\\_wertman@ci.lompoc.ca.us](mailto:L_wertman@ci.lompoc.ca.us)*

**SUBJECT:** Request for City Council and Lompoc Redevelopment Agency Board to ratify the City Administrator/Executive Director's execution of Estoppels and Loan Subordinations for the "Homebase on G" project (formerly known as the Transitions Community Counseling Facility and Independent Living Unit project), located at 513 and 519 North G Street (APN#87-192-19 & 87-192-20)

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#### **RECOMMENDATION:**

Staff recommends the Lompoc City Council ratify the City Administrator's execution of Loan Estoppels and Loan Subordination documents for the State HOME loan of \$150,000 and the Lompoc Affordable Housing Trust Fund (LAHTF) loan of \$900,000 for the Homebase on "G" Street project.

Staff recommends the Agency Board ratify the Executive Director's execution of Loan Estoppels and Loan Subordination documents for the California Housing Finance Agency (CalHFA) Help loan of \$800,000 and the Lompoc Redevelopment Agency Housing Set-Aside loan of \$250,000 for the Homebase on "G" Street project.

#### **BACKGROUND:**

The Tax Equity Partners require Estoppels be signed by Lenders that are financing portions of a project prior to the closing of their cash infusion to the project. The Estoppel is a mechanism of the Equity partners to insure that the project is currently in compliance with all requirements of the other lenders and the loan funding has not been cancelled. It also establishes their participation in the project.

In projects of this nature it is commonly accepted that most commercial lenders require public funding to subordinate to their financing. Santa Barbara Bank and

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Trust also known as Pacific Capital Bank, N.A., is the commercial lender in this project, which will be providing up to \$4.6 million dollars. Considering the amount of their funding contribution to the project, it is an acceptable request for the City and Agency to subordinate to their loan.

The financing structure and lien position of the loans are proposed as follows:

(69%) Santa Barbara Bank & Trust	\$4,600,000
(13%) Housing Trust Funds	\$ 900,000
(12%) CalHFA Help Loan	\$ 800,000
( 4%) RDA Set-Aside	\$ 250,000
( 2%) State HOME	<u>\$ 150,000</u>
<b>Available financing</b>	<b>\$6,700,000</b>

Equity Funds:

The equity funds generated by the investors are estimated at over six million dollars, which will be used to repay the City's \$900,000 LAHTF loan and the Agency's \$800,000 CalHFA Help Loan. The balance of equity funds will pay down the commercial banks construction loan with the balance converted to permanent financing. The RDA Set-Aside loan will be repaid over a 14-year period, and the State HOME loan will remain in the project as subsidy.

This project currently has six units restricted by the Agency as part of the approval conditions of this project. The Agency has further restricted 19 units in this project four (4) extremely low- and fifteen (15) very low-income households as part of its financing participation.

**CONCLUSION:**

The authorization of the Executive Director/City Administrator's to execute the subordinations and the Estoppels will allow this project to meet critical closing timeframes. Agency staff as well as the City Attorney's office will review these documents to assure the City and Agency are not assuming a critically adverse risk position prior to execution. The ground breaking for this project is scheduled for the next 30 to 60 days and will take approximately 24 months to complete.

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Linda R. Wertman  
Redevelopment Program Coordinator

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**APPROVED FOR SUBMITTAL TO THE CITY ADMINISTRATOR AND  
REDEVELOPMENT AGENCY EXECUTIVE DIRECTOR:**

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Arleen T. Pelster, AICP  
Community Development Director/Deputy Director

**APPROVED FOR SUBMITTAL TO CITY COUNCIL AND LOMPOC  
REDEVELOPMENT AGENCY BOARD:**

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Gary P. Keefe  
City Administrator/Executive Director