ATTACHMENT

HA SB HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA

808 Laguna Street / Santa Barbara
California / 93101

Tel (805) 965-1071
Fax (805) 564-7041

August 24, 2010

HAND DELIVERED

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CITY OF SANTA BARBARA
HOUSING AND REDEVELOPMENT

Mr. Steven Faulstich, Housing Programs Supervisor
Housing & Redevelopment Division
City of Santa Barbara
630 Garden St.
Santa Barbara, CA 93101

RE: REQUEST FOR CITY RDA FUNDS FOR THE ACQUISITION OF REAL PROPERTY LOCATED AT 2941 STATE STREET

Dear Steven:

The Housing Authority has continued to look for opportunities to acquire existing apartment buildings to add to its affordable housing inventory. Current market conditions are such that purchasing existing units and rehabilitating them can be less costly than new construction.

A property we are presently pursuing is a 6 unit complex located on upper State Street – 2941 State St. Although it suffers from some deferred maintenance, the building's structural elements are sound. It is comprised of 6 one-bedroom/one-bath apartments and has one on-site parking space for each unit. Five of the six units are currently occupied by low-income residents participating in the Section 8 Housing Choice Voucher program. The remaining unit is currently vacant, although was previously occupied by a Section 8 Voucher holder. Purchasing this property would ensure the existing low-income residents retain their units at affordable rents and would also service, upon turnover, the Authority's high demand for one-bedroom units. This demand is represented on our various waiting lists as one and two-person households comprised largely of low income workers, seniors and disabled persons.

The property was recently appraised for $900,000 (see enclosed appraisal report by David Jasso & Associates). Looking at comparables, we consider this value to be on the low end of the market, and have been able to negotiate a favorable, below market purchase price with the owner at $860,000 ($143,333 / unit).

Please be advised that the Housing Authority Commission is aware and has approved the property as a possible addition to the Authority's Non HUD program, and to that end adopted Resolution No. 2411 on August 4, 2010 (copy enclosed). As noted, the Resolution authorized me to begin negotiations with the owner for the property's purchase.

As you know, securing affordable rental housing for low income persons in our market continues to require local subsidy. Pursuant to our initial discussions with your office, we feel the most appropriate and straight-forward approach to this acquisition would be a residual receipts loan from the Redevelopment Agency of the City of Santa Barbara in the amount of $450,000 (or $75,000 per unit). Of this, $360,000 would be down payment monies and $90,000 would be for immediate rehab needs.

As the enclosed proforma shows, the balance of the purchase price would met by a conventional loan or seller carry-back note in the amount of $500,000 at 5%. The owner has indicated a desire to carry-back financing of $500,000 via the Authority's issuance of a tax exempt note for that amount.

While we estimate total rehabilitation costs for the property to be $240,000 in order to bring the property up to the Authority's high standards, we see immediate rehabilitation needs (to be completed directly after closing) to be $90,000. We are seeking City/RDA funding as part of this $450,000 request to address those needs.

If this request meets with City/RDA staff approval as reasonable and appropriate, we would ask that it be placed before the City Council/RDA in the next 30 days for consideration. With our request moving forward at the City/RDA level, we would feel confident about structuring and securing financing for the balance of the purchase price in order to close by the end of October as requested by the seller.

As always, the Housing Authority Commission and staff are hopeful that you will agree with us on the wisdom of this acquisition as well as the structure of our proposed financing.

Sincerely,

HOUSING AUTHORITY OF THE
CITY OF SANTA BARBARA

ROBERT G. PEARSON
Executive Director/CEO

Encls.

cc: Housing Authority Commission