



CITY OF SANTA BARBARA

FINANCE COMMITTEE AGENDA REPORT

AGENDA DATE: June 5, 2012

TO: Finance Committee

FROM: Housing and Human Services Division, Community Development Department

SUBJECT: Amendment To Housing Authority Loan For Bradley Studios Project

RECOMMENDATION:

That the Finance Committee recommend that Council approve a loan amendment that would change the terms of a loan previously made to the Housing Authority.

DISCUSSION:

The Housing Authority of the City of Santa Barbara (Housing Authority) requests that an amendment be made to its site acquisition loan for the Bradley Studios project, a new 53-unit affordable housing project for low income downtown workers and homeless persons, currently under construction by the Housing Authority at 512-518 Bath Street. This amendment was anticipated and the terms of the loan were described in reports to the Finance Committee and the Agency Board. Staff recommends that the amendment now proceed.

In June, 2008 the Housing Authority received a zero percent interest rate loan of \$4,800,000 from Redevelopment Agency Housing Set-aside Funds for acquisition of the property. This loan enabled the Housing Authority to land bank the site for future development of a new affordable housing project. At the time the property was acquired, staff did not know when the Housing Authority would proceed with a project. Loan repayment was structured as a fully amortized ten-year note starting July 2011 as a precaution in the event progress was not made in developing a project.

The loan included a provision that allows the Redevelopment Agency, in its discretion, to amend the loan to conform to standard loan terms for affordable rental housing development, which is an action staff typically recommends when sufficient progress is made in developing a project. Using City standard loan term parameters, the amended loan would have a 55-year term and include three percent simple interest. Payments on the loan would be deferred until January 2015. Payments would then be made on a residual receipts basis, which means monthly payments would be due only to the extent the project generates positive cash flow. A final balloon payment would be due at the

end of the loan's 55-year term. The \$4,800,000 principal amount of the loan would remain the same. The terms of the Housing Authority loan amendment described above were outlined in the April 15, 2008 Finance Committee staff report and the April 22, 2008 Redevelopment Agency staff report.

As of June 30, 2011, the Housing Authority had clearly made sufficient progress to warrant amending the terms of the land acquisition loan. At that point, the Bradley Studios project had secured their development entitlements, had been awarded additional Redevelopment Agency Housing Set-aside funds through a loan agreement executed on June 21, 2011, and had submitted their successful application for tax credits. Today, the project is well under construction, with completion expected before the end of 2012 and full occupancy expected in 2013.

The City, as the successor housing entity to the former Redevelopment Agency, assumed the housing assets and functions of the Agency. Therefore, staff asks that the Finance Committee recommend to Council approval of the proposed amendment to the loan terms, as originally intended.

ATTACHMENT: Letter from the Housing Authority dated December 12, 2011

PREPARED BY: Sue Gray, Administrative Services Manager/SK

SUBMITTED BY: Paul Casey, Assistant City Administrator

APPROVED BY: City Administrator's Office



December 12, 2011

VIA EMAIL

Mr. Brian Bosse, Housing & Redevelopment Manager
Community Development Department
City of Santa Barbara
630 Garden St.
Santa Barbara, CA 93101

RE: REQUEST FOR CONVERSION TO RESIDUAL RECEIPTS LOAN—LOAN AGREEMENT 510
BETWEEN RDA AND HACSB FOR LAND ACQUISITION FOR 512 BATH/BRADLEY STUDIOS

Dear Brian:

Pursuant to our telephone conversation today, it is appropriate for the Housing Authority and Redevelopment Agency to move forward on formal action to recast the RDA land acquisition loan they provided us for 512 Bath St. to a residual receipts loan with a 55 year term. We discussed this need earlier this year but agreed it was best to wait for the results of the 2011 Round II California Tax Credit Allocation Committee's to determine if Bradley Studios at 512 Bath St. was indeed going to move forward.

We now know Bradley Studios' positive result. The project's groundbreaking is set for next month—January 12, 2012 to be exact. Thus, we now need to return to the RDA Board to formally convert the original three year \$4.8 million dollar land loan that was due on June 30, 2011, to a 55 year residual receipts loan. This conversion was always envisioned if a successful housing project for the site could be brought to fruition. A copy of Agreement 510 is enclosed.

Should you or your staff require any additional information to modify or recast the subject loan as requested, please let me know.

Sincerely,

HOUSING AUTHORITY OF THE
CITY OF SANTA BARBARA

ROBERT G. PEARSON
Executive Director/CEO

cc: R. Fredericks, Deputy Executive Director
B. Peirson, Finance Director