

ASSET MANAGEMENT
CONSTRUCTION

September 18, 2013

Ms. Deidre Randolph
Community Development Program Supervisor
City of Santa Barbara
PO Box 1991
Santa Barbara, CA 93102



RE: Rancho Franciscan Apartments

Dear Ms. Randolph:

Rancho Franciscan, L.P. owns the Rancho Franciscan Apartments, a 111 unit senior apartment community located at 203, 215 and 221 Hitchcock Way. When the project was originally built, the owners entered into certain CC&R's, a copy of which is enclosed. Section A defines a "Qualifying Resident" and a "Qualified Permanent Resident". It goes on to state in Section C.3 that when the 62 years old or older Qualified Resident no longer resides on the premises, the remaining Qualified Permanent Resident of 45 years or older is entitled to continue his or her occupancy.

We are in the process of refinancing the property with an FHA 223(f) loan. Under HUD's FHA/MAP policies, all heads of households are to be 62 years or older, but we cannot discriminate against non-elderly family members, including children. A copy of the HUD Memorandum regarding age restrictions in FHA insured housing is enclosed. You'll note on the second page of the Memorandum that affordable properties are defined in the third bullet under #2, and since Rancho Franciscan does not qualify in that category, the policy to which Rancho Franciscan will be subject is that for market rate properties. In addition, the current CC&R's age restriction does not comply with federal law. HUD is therefore requiring that the CC&R's be amended to comply with the requirements with respect to occupancy. The new standards are in Section (g) of the draft Amendment which I have enclosed.

Per Section G.5 of the existing CC&R's, since the current covenant cannot be amended without City approval, we respectfully request that the City consent to this Amendment.

We can certify that this change will have no impact on any current resident of Rancho Franciscan Apartments, and we will revise Section 5 of our lease per the enclosed draft so that any future residents are put on notice that they must meet this HUD requirement.

Please give me a call so we can discuss this matter.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Michael Towbes'.

MICHAEL TOWBES

cc: Sarah Knecht, City Attorney's Office
Rob Pearson, Executive Director/CEO City Housing Authority