

**Frank Thompson, Bob Pershadsingh, Peter Koelsch and
Community Housing Assistance Program, Inc.
3005 State Street #B
Santa Barbara, CA 93105**

December 2, 2013

Mr. David Rowell, Housing Programs Supervisor
City of Santa Barbara
630 Garden Street
Santa Barbara, CA 93101

RE: Rancheria Village Apartments, 424-430 Rancheria Street

Dear Mr. Rowell,

Please accept this letter request for approval of our plan to transition the ownership of the Rancheria Village Apartments, refinance the development, restructure and extend the existing City loan agreement and extend the housing affordability restrictions for the units.

Rancheria Village Apartments includes 14 apartments for families and large families, approved in 1994, constructed in 1995, and operated since 1996 as housing available to low and very low income families. The project benefited from a City Redevelopment Agency loan in the principal amount of \$560,000, and was one of the first generation in the City to utilize low income housing tax credits. The initial 15 year compliance period for the federal tax credits in the project passed in July, 2011, although the owner has continued to observe all requirements for low income compliance.

The original tax credit buyer, as the limited partner, 1995 WNC California Housing Tax Credits IV, L.P. Series 4, would now like to depart the partnership, and has the right to force the sale of the project. The general partners, including Community Housing Assistance Program, Inc. (the non-profit managing general partner) Frank Thompson, Bob Pershadsingh and Peter Koelsch would like to remain as partners and owners of the development. It is proposed that a new entity, Mariana Ranch Associates, LP, composed of Frank Thompson, Bob Pershadsingh, Peter Koelsch and Riverside Charitable Corporation (as non-profit managing general partner affiliated with Community Housing Assistance Program, Inc.) accept a transfer of the title to the development. The appraised value of the development, which will constitute the transfer price, is \$1,585,000.

In addition to the purchase price, there are costs for escrow, title, operating cash reserve, elective termite work, financing fees and other related costs in the amount of \$52,818, for a total cost to be financed of \$1,637,818.

It is proposed that the following financing sources be employed to finance this transaction, as follows:

New First Trust Deed Loan (local bank)	\$ 623,000
Assume Existing City Loan (principal)	\$ 560,000
<u>Assume Accrued Interest City Loan (estimated as of Jan. 31, 2014)</u>	<u>\$ 454,818</u>
Total Financing:	\$ 1,637,818

The existing first trust deed on the property has a remaining balance of approximately \$310,000. Current monthly payments approximate \$2,594.

Under the proposed financing, the new \$612,818 first trust deed would have monthly payments of \$3,685, an increase of \$1,091 per month over the existing first trust deed. City loan payments during 2013 were \$1,862.42 per month. Under the proposed financing, City loan payments would be \$4,363.58 per month each month for the following 30 years, to amortize the existing loan balance with accrued interest of \$1,014,818. The current fully amortized loan payment under the 1994 note and deed of trust is \$2,837.44. The difference between the two payment schedules and projected increase per month will be \$1,526.14 per month.

In recent years, Rancheria Village Apartments has generated effective gross income in the amount of approximately \$205,000 per year, against operating expenses of approximately \$105,000, leaving approximately \$100,000 of net operating income. This has typically been allocated as \$31,128 for first trust deed loan principal and interest, \$22,349 for City second loan payments, and approximately \$30,000 for capital repairs, with reserve accumulation of approximately \$16,525 each year.

An increase in rent levels has been approved for 2014, and the comparable figures are projected as \$215,000 effective gross income, \$105,000 operating expenses including reserves, net operating income of \$110,000, of which \$44,214 would constitute payments of principal and interest to the first trust deed, a coverage ratio of 249%, with \$52,363 for City loan payments (combined coverage ratio of 115%), and distributions of net income of approximately \$13,425.

The borrower is willing to extend the low and very low income rental restrictions from their current expiration date of June, 2024 to January of 2069, an extension of 45 years, in connection with this transaction.

The borrower is also in negotiations with Transition House to make vacant units as they come available to Transition House referred tenants, graduating from the shelter and transitional housing programs. Negotiations center on the ability of Transition House to provide supportive services to their tenant referrals. The option to utilize a new allocation of low income housing tax credits in 2014 or later years is a part of the negotiations to provide mutual benefits and further improvements in energy efficiency and security, as well as supportive services, to tenants of the apartment complex.

We have provided our audit for 2012 operations, year to date 2013 unaudited financial statements, and our pro forma of operations for 2014 and the following 14 years for your review. We have also included copies of the preliminary title report and existing loan documents, as well as financial statements for the proposed partners in the transfer ownership entity. Please let us know if there is additional information you may require.

Sincerely,



Frank Thompson

As partner and housing consultant