



CITY OF SANTA BARBARA

FINANCE COMMITTEE AGENDA REPORT

AGENDA DATE: May 5, 2015

TO: Finance Committee

FROM: Administration, Housing and Human Services Division, Community Development Department

SUBJECT: \$275,000 Loan To The Turner Foundation For Rehabilitation Of 1502-1522 San Pascual (Lighthouse Apartments)

RECOMMENDATION:

That the Finance Committee consider and recommend to City Council approval of a \$275,000 Loan from the City's Socioeconomic Mitigation Program (SEMP) funds to the Turner Foundation to rehabilitate seven (7) low-income rental units at 1502-1522 San Pascual (Lighthouse Apartments).

DISCUSSION:

Background

Since 2005, the Turner Foundation has been transforming one of Santa Barbara's Westside neighborhoods by providing safe and quality housing to underserved low-income families. The Turner Foundation's first project was Casa Perdido Apartments, a 70-unit affordable housing rental project currently known as The Village. In August 2014, they purchased the Lighthouse Apartments for \$12,500,000. The Lighthouse Apartments are adjacent to The Village at the corner of West Micheltorena and San Pascual. The two complexes share the same staff and provide a larger community that brings residents together to share services and programs.

Project Description

Built in 1972 with six (6) apartment buildings, the Lighthouse Apartments complex has a total of 45 affordable family units comprised of two (2) studio units (446 SF), nine (9) one-bedroom units (595 SF) and 34 two-bedroom units (884 SF). The Project is currently managed by Cochrane Property Management Inc.

The Turner Foundation is requesting a \$275,000 loan from the City to rehabilitate 7 units. The renovation includes one studio, four (4) one-bedroom and two (2) two-bedroom units, one of which will be improved to Section 504 Handicap Accessibility standards, including one designated handicap parking space. The renovations will be completed one unit at a time over a period of seven months. During a unit's

renovation, that unit's tenant will be temporarily relocated on site in a unit reserved for that purpose with no net cost to the tenant for temporary relocation. The Turner Foundation has adequate resources to complete a comparable level of renovation and rehabilitation of the other 38 units and make exterior improvements including a new playground and community center.

The requested loan will pay for improvements that fall into two major classes: energy/sustainability and basic code compliance. The cost is \$39,285.72 per unit. The estimated costs are as follows:

Lighting	\$12,949
Plumbing/Heaters	34,891
Painting/Flooring	97,100
Bathroom/Kitchen Renovation	51,735
Replace Windows/Doors	15,000
Relocation	10,000
Administration	5,000
Handicap Accessibility (1-unit)	10,000
Miscellaneous/Contingency	38,325
<u>Total:</u>	<u>\$275,000</u>

Project Financing

The Turner Foundation financed a portion of the acquisition cost of the Property with a new \$7,500,000 loan. Currently, the Owner is paying \$39,207 monthly on this loan. The City Loan will be in second lien position resulting in an estimated loan-to-value ("LTV") of 62.2% based on a property valuation of \$12.5 million.

First Trust Deed Loan (local bank)	7,500,000
City Loan	275,000
<u>Turner Foundation Equity</u>	<u>4,725,000</u>
<u>Total</u>	<u>\$ 12,500,000</u>

The \$275,000 City Loan would be secured by the Property and provide for monthly payments of \$1,159.41 based upon a 3% interest rate and a 30 year term.

Long-term Affordability

An Affordability Control Covenant Imposed on Real Property will be recorded concurrently with the City loan and require that the seven (7) rehabilitated units remain affordable to low-income residents until the year 2105 (90 years). The rents on the seven (7) City-Assisted Units will be no greater than 30% of the tenant's gross monthly household income.

Closing Summary

This loan request is an opportunity to partner with the Turner Foundation whose mission "is to provide safe, affordable housing, as well as programs and services that will improve the quality of life for the residents and the surrounding community." Staff

supports the proposed loan and requests that the Finance Committee recommend that City Council approve the \$275,000 City loan to the Turner Foundation. The City-supported rehabilitation work with the Turner Foundation funded rehabilitation will extend the useful life of the project and will insure that seven (7) units remain affordable to low-income residents for 90 years.

BUDGET/FINANCIAL INFORMATION:

Socioeconomic Mitigation Program (SEMP) funds will be used to fund the proposed \$275,000 loan. In the 1970s, the City received SEMP Funds from the major oil companies to help mitigate the impact on low- and moderate-income housing supply created by an influx of South Coast oil extraction operations employees. The City has been receiving repayments on loans made with these funds. After the commitment of \$275,000 to this project, the SEMP account will have a balance of approximately \$500,000 to commit to future housing projects.

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SUBMITTED BY: George Buell, Community Development Director

APPROVED BY: City Administrator's Office