



HOUSING

AUTHORITY OF THE
CITY OF SANTA BARBARA808 Laguna Street / Santa Barbara
California / 93101Tel (805) 965-1071
Fax (805) 564-7041

March 14, 2008

HAND DELIVERED

Mr. David Gustafson, Acting Community Development Director
Community Development Department
City of Santa Barbara
630 Garden St.
Santa Barbara, CA 93101

RE: REQUEST FOR CITY SUBSIDY FOR THE ACQUISITION OF REAL
PROPERTY LOCATED AT 512-518 BATH ST.

Dear Dave:

The Housing Authority Commission is scheduled to adopt the enclosed Resolution next week confirming its desire to proceed with the purchase of the above referenced property for the development of affordable housing. In reading the enclosed materials, you will note that our negotiated purchase price is \$4.8 million and is contingent on City Redevelopment Agency financing to cover our acquisition cost. As we have discussed, the development of affordable rental housing for low income persons in our market requires local subsidy of 100% for the land cost as well as some small portion of the construction costs. While we remain hopeful that the bulk of the eventual construction costs can be met through a successful application to the State for Low Income Housing Tax Credits, land costs must be underwritten at a 100%.

In discussing this property to date, your Office, along with Housing and Redevelopment and Planning Staff, have offered general agreement that this relatively large property of 47,485 sq. ft. presents a good land banking and affordable housing/redevelopment opportunity for the community. As you know, the existing improvements consist of four very old, small, dilapidated houses built between 1893 and 1907 and a 10-unit apartment building and related carport circa 1963. The City's Urban Historian, Jake Jacobus, in an email to me of March 5, 2008, determined that the old houses are not of "historic" value and can be demolished. As for the apartment building and carport, they are 45 years old, poorly constructed and encroach upon Mission Creek such that the community would benefit from their removal if we purchased and redeveloped the site as affordable housing.

The subject site is zoned R-3 and R-4 and can be developed as housing per those standards. Further, we have been searching for land purchase opportunities and the price for this property at \$101/SF compares quite favorably with recent sales. Our last large property purchase was the Haagen property on East Cota St. in August of 2006 at \$119/SF. We have shared with your Staff (under separate cover) the December 29, 2007 appraisal by Wayne Holden which we commissioned as part of our investigation of this property. It establishes value at \$4.6 million. The sellers in turn commissioned a review appraisal (copy enclosed) of Mr. Holden's work that sets value at \$5.45 million.

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Thus, we feel that our negotiated purchase price of \$4.8 million is both reasonable and fair to all parties.

Given the size and location of this property, we are confident that several scenarios for affordable housing development are possible. It compares quite favorably with Casa de Las Fuentes' land in terms of size and, at a minimum, a program of that nature—42 rental units for downtown workers—could occur on this site. However, at this juncture, we do not wish to commit to a particular development scenario; we want development scenarios to "percolate" via discussions with the Housing Authority Commission, Planning Staff, design professionals and the City Council. The key at this juncture is to secure the property through the Housing Authority's purchase (and stewardship) as soon as possible.

Be advised that we are working with the seller to secure a Phase I environmental report on the property. Our review and approval of that report and similar due diligence matters are a condition of our purchase agreement (copy enclosed).

If our funding request could be placed before the City Council/RDA in the next 30 days, it would be greatly appreciated. As always, the Housing Authority Commission and Staff are very open to the City's advice and direction with respect to the type and number of units of affordable housing that might be developed on this site.

Sincerely,

HOUSING AUTHORITY OF THE
CITY OF SANTA BARBARA



ROBERT G. PEARSON
Executive Director/CEO

encls.

cc: Housing Authority Commission
S. Szymanski, Deputy Executive Director
R. Maccianti, Property & Development Director
R. Lawrence, Finance Director
R. Fredericks, Deputy Executive Director
Mark Maniōh, General Counsel, Price, Postel & Parma