



February 23, 2010

Steven Faulstich, Housing Programs Manager
City of Santa Barbara
P. O. Drawer P-P
Santa Barbara, CA 93102

RE: Mom's Place, Transition House, 421 and 425 E. Cota Street,
8 New Permanent Apartments for Homeless Families and Child Care

Dear Mr. Faulstich,

Transition House continues to pursue full funding for the Mom's project at 421-425 East Cota Street. Our predevelopment work has continued successfully and we have moved the project forward with staff hearing officer approval in the planning department, design approval from the Architectural Board of Review, and our architects are almost finished with construction drawings. We have benefited greatly from the initial \$120,000 offered to our agency for predevelopment from the City, and appreciate the additional \$680,000 that City has committed for construction. Recently, the City also awarded \$100,000 in CDBG funds to help with the rehabilitation of the existing eight units of housing on the property. The rehabilitation is part of the entire Mom's project.

In 2009 during the project's initial architectural phase, we applied for and were unsuccessful in obtaining an allocation of 9% "competitive" tax credits. We have subsequently met with the staff of the Tax Credit Allocation Committee to review several specific concerns relative to the project that we have now addressed, and we are re-submitting a revised application on March 25, 2010. We are working on that application now. If funded, we would be notified around June 9, and construction could begin on the new building in September, 2010.

Our 2009 application financing plan included a loan of \$1,037,000 from the State of California Housing and Community Development Department's Multifamily Housing Program which we applied for. Available State funds have since been frozen and it is believed that the State will be unable to make the requested loan within the next three years. Additionally, in the 2009 tax credit round, federal

stimulus funding was available to increase the value of tax credits. That opportunity was not extended to 2010. In short, we have also lost \$1,103,822 in available tax credits.

In order to make up this \$2,140,822 shortfall, the commercial portion of the project has done away with a small amount of square footage. Additionally, our construction prices in our current pro forma are lower per square foot than in 2009 based on recent construction bid prices for the Housing Authority's Artisan Court project.

Transition House is also seeking additional help from the City. By way of this letter, Transition House respectfully requests \$170,000 in additional City HOME funding and \$150,000 in City housing rehabilitation funding. This \$320,000 from the City would help greatly in advancing our project.

The final dollars we will need to close the gap will be provided through a commercial bank loan. In order to service this debt, Transition House is in the process of obtaining eight Project-Based Section 8s. The increased rental income we will be able to realize with the Section 8s, along with \$2,500 the new infant care center will pay each month in rent, will to be used to pay this mortgage.

Project Background

Transition House proposes to build eight new permanent housing apartments for homeless families graduating from its present shelter and transitional housing program. These 8 new units would be situated behind and above a new ground floor with space for licensed childcare for 25 infants. The project also envisions minor rehabilitation and improvement of the existing eight affordable units situated over the administrative offices located at 425 E. Cota Street.

Transition House initiated the project in October, 2007. Since then, a workable architectural plan for a new, two story building reflecting elements of the style of the existing buildings of the old Mom's restaurant has been fully reviewed and approved by the City of Santa Barbara.

The Board of Directors of Transition House and I greatly appreciate the City's consideration of our request for additional funds. We remain committed to developing the property to serve the City's special needs citizens and to making the most of the City's investment, and will continue to explore all avenues available to complete our project.

Please call me if you have any questions or need additional information, 966-9668.

Sincerely,



Kathleen Baushke
Executive Director