



HOUSING

AUTHORITY OF THE
CITY OF SANTA BARBARA808 Laguna Street / Santa Barbara
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May 17, 2010

Mr. Brian Bosse, Housing and Redevelopment Manager
Housing & Redevelopment Division
City of Santa Barbara
630 Garden St.
Santa Barbara, CA 93101

**RE: FUNDING REQUEST FOR ADDITIONAL CITY/RDA SUBSIDY FOR THE DEVELOPMENT OF
512 BATH STREET AS A 54 UNIT AFFORDABLE RENTAL HOUSING COMPLEX—BRADLEY
STUDIOS**

Dear Brian:

The Housing Authority has submitted a development application for above referenced property to the City of Santa Barbara. This important development will consist of 54 affordable housing units (53 studios and one two-bedroom manager's apartment) and is intended to serve a combination of low-income downtown workers, and special needs/homeless persons. Once development entitlements are obtained, we plan to submit an application to the State for Low-Income Housing Tax Credits (LIHTC) in this year's second funding round, which has a due date of July 7, 2010. Construction is planned to begin early next year. Although the Tax Credits will provide funding for the bulk of the project's needed equity capital, we will require additional local funding for the project to be financially viable. To this end, we are submitting this letter to request funding in the amount of \$1.6 million.

As you know, the property was purchased by the Housing Authority for \$4.8 million in July 2008. The City Redevelopment Agency provided a residual receipts loan in the full amount to cover the acquisition cost. The \$1.6 million that is the subject of this request will be used to cover a portion of the development's construction costs.

Enclosed for your review is the project's development pro-forma (Exhibit A). It shows total development costs (not including land) of \$10,344,532. Please note that for purposes of the LIHTC application, this pro-forma shows the anticipated land value appraised at \$4,000,000. The Tax Credit Allocation Committee is requiring us to show the current value of the land lease in the source of funds.

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In order to fully quantify City/RDA subsidy for the project (inclusive of land costs), one would add the initial land purchase loan of \$4.8 million and the \$1.6 million for construction for a total of \$6.4 million or \$118,518 per unit in City/RDA subsidy. The Housing Authority believes that this level of local subsidy is in line with other recent affordable housing projects in the City.

It is further understood that our request is for a loan of up to \$1.6 million and if approved, this amount will be reduced at closing by the amount of the Net Operating Income from the existing 10 unit apartment complex generated since July 2008.

We thank you in advance for your consideration of this request and would greatly appreciate if this matter could be placed before the City Council/RDA in the next 30 days

Sincerely,

HOUSING AUTHORITY OF THE
CITY OF SANTA BARBARA



ROB L. FREDERICKS
Deputy Executive Director/CAO

cc: Housing Authority Commission
R. Pearson Executive Director/CEO
S. Szymanski, Deputy Executive Director/COO
R. Maccianti, Property & Development Director