



HOUSING

AUTHORITY OF THE
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November 16, 2010

HAND DELIVERED

Mr. Steven Faulstich, Housing Programs Supervisor
Housing & Redevelopment Division
City of Santa Barbara
630 Garden St.
Santa Barbara, CA 93101

RE: REQUEST FOR CITY RDA FUNDS FOR THE ACQUISITION OF REAL
PROPERTY LOCATED AT 2904 STATE STREET

Dear Steven:

The Housing Authority has located another existing apartment building that we feel can be purchased at a favorable price and added to our affordable rental housing inventory. To this end, we are seeking Redevelopment Agency Housing Set-aside (RDA) funds to cover the cost of this acquisition.

The subject property is a 9 unit multifamily residential building on an 8,276 sq. ft. lot located at 2904 State Street. The building is a former motel and consists of 2 one-bedroom/one-bath apartments and 7 studios rented on a month to month basis. There are 9 uncovered parking spaces on-site. One of the studios is vacant. The studios rent for an average of \$790 per month and the one-bedroom units rent for \$1,060 per month. Utility expenses for the property are approximately \$480 per month. At this juncture, incomes of the current tenants have not been verified. None of the existing tenants participate in the Section 8 Housing Choice Voucher program.

Given the City's current efforts to provide shelter for the chronically homeless by providing transitional and permanent, supportive housing opportunities, the Housing Authority considers the subject property an excellent response to that identified need. The units are small and each has its bathroom. If acquired by the Housing Authority with RDA funding, it would be the Authority's intention to master lease the property at a low rent to a group such as WillBridge or Transition House who in turn would operate it as permanent, supportive housing for the homeless. This arrangement would match our successful partnership with Transition House for owning and operating the "Fire House" at 3030 De La Vina. The Fire House provides transitional housing and related services for 16 people on average. This acquisition and use would also be in alignment with the *10 Year Plan to End Chronic Homelessness* (aka the "Bringing Our Community Home" plan) that all Santa Barbara Cities and the County have adopted.

The property is listed in the Santa Barbara Multiple Listing Service for \$1,200,000—or \$133,333 per unit. Given its favorable pricing and the fact that the property is well suited for the identified need (permanent supportive housing for the homeless), the Housing Authority Commission on November 3, 2010, adopted Resolution No. 2425 (copy enclosed) relative to this property. The Resolution authorized Housing Authority staff to make a full price offer for the property subject to securing an independent appraisal that substantiated the offer amount as well as securing Redevelopment

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Agency funding for the purchase. David Jasso & Associates was engaged by the Housing Authority to provide an independent, fair market value appraisal of the subject property.

Yesterday, the Housing Authority received its requested appraisal from David Jasso & Associates (copy enclosed). It establishes the property's fair market value at \$1.2 million. Looking at the comparables sales set forth in the appraisal, we consider the value established by David Jasso to be both reasonable and fair.

As you know, securing and operating affordable housing for special needs populations requires significant local subsidy. Based on our initial discussions with your office regarding this property, we feel it appropriate to seek a grant from the Redevelopment Agency for the full purchase price--\$1.2 million or \$133,333 per unit. It is the Housing Authority's intention to hold the property in its inventory and be responsible for its maintenance and capital needs in perpetuity (i.e. be its' stewards and maintain it as a community/public asset). The day to day operations including tenant selection and management would be handled under a master lease to a local non-profit who offer transitional and permanent supportive housing to the homeless. As of this writing, WillBridge is our likely candidate. Given that non profits like WillBridge operate on relatively thin budgets, the rent under any master lease must be low—we estimate somewhere between \$1,000 to \$2,000 per month for the entire property. Such limited revenue from the property make it impossible to afford any debt service; thus our request to the RDA for a grant for the purchase price. Whatever monthly revenue the Housing Authority receives from the property will need to go to property maintenance and replacement reserves. As the enclosed proform shows, the Housing Authority will be operating this property at a breakeven point (if not a loss) assuming a master lease of \$1500/month. That said, the Housing Authority recognizes that this type of housing (permanent, supportive housing for the homeless) is a community priority and as such is willing to assume some amount of risk with respect to operating income and expenses.

If this City/RDA staff find this request to be reasonable and appropriate, we would ask that it be placed before the City Council/RDA in the next 30 days for consideration. With our request moving forward at the City/RDA level, we would plan on closing shortly after the New Year as requested by the seller.

As always, the Housing Authority Commission and staff are hopeful that you will agree with us on the wisdom of this acquisition, its planned use as well as the structure of our requested financing.

Sincerely,

HOUSING AUTHORITY OF THE
CITY OF SANTA BARBARA



ROBERT G. PEARSON
Executive Director/CEO

Encls.

cc: Housing Authority Commission