



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: January 27, 2015

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Introduction Of Ordinance Approving An Amendment To The Agreement To Use Recycled Water For Pilgrim Terrace Homes

RECOMMENDATION:

That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving an Amendment to the Agreement Between the City of Santa Barbara and Pilgrim Terrace Homes for Purchase, Use and Delivery of the City's Recycled Water.

DISCUSSION:

Pursuant to the City's Waste Discharge Permit, the Central Coast Regional Water Quality Control Board requires that the City of Santa Barbara have a Recycled Water User Agreement (Agreement) with each site that uses the City's recycled water. Pilgrim Terrace Homes renewed its Agreement with the City on May 24, 2012.

Pilgrim Terrace Homes is an existing 84-unit apartment property for low-income seniors that was originally developed using the Housing and Urban Development (HUD) 202 Loan Program For Non-Profits. The property is nearing the end of its original regulatory term, at which time the property will be eligible to convert to market rates. The property is currently the recipient of a project-based Section 8 HAP (Housing Assistance Payments contract) that covers all units at the property.

Pilgrim Terrace is applying for a HUD-insured Federal Housing Administration (FHA) loan as part of a restructuring to:

- Preserve affordability of Pilgrim Terrace for an additional 55 years, ensuring the property can continue to provide affordable housing for Santa Barbara's low income seniors.
- Extend the existing HAP rent subsidy contract for an additional 20 years to ensure that resident pay no more than 30 percent of their income.

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- Perform an extensive renovation, estimated at \$35,000 per unit, enhancing the property interiors, exteriors, and common areas.
- Enhance the social service offerings at the property.
- All of this will be achieved without any permanent resident displacement or any increase in the tenant's rent.

The proposed FHA financing on the Pilgrim Terrace Homes property is insured by HUD. HUD requires that certain provisions be included in the Agreement in order to comply with HUD's rules and regulations. HUD will not approve the FHA financing unless the proposed Amendment is executed, exempting HUD from the indemnity language in the event that HUD becomes the property owner through foreclosure or a deed-in-lieu of foreclosure.

Staff has reviewed the Agreement and the Amendment and recommends that Council adopt the Ordinance to approve the Amendment to the Agreement.

PREPARED BY: Joshua Haggmark, Water Resources Manager/ MW/mh

SUBMITTED BY: Rebecca Bjork, Public Works Director

APPROVED BY: City Administrator's Office