

**Housing Authority of the
City of Santa Barbara**


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Memo

VIA FAX and U.S. Mail 130-470-2

To: Eric Hvolboll, Esq., General Counsel
From: Robert G. Pearson, Executive Director 
CC: Lief Nielsen, Finance Director & Skip Szymanski, Property & Development Director
Date: May 11, 1998
Re: REQUEST FOR LEGAL OPINION ON HACSB's ABILITY TO CONSTRUCT BELOW MARKET RENTAL HOUSING TARGETED TO SPECIFIC POPULATION—I.E. DOWNTOWN WORKERS

At last Friday's Commission meeting, the "Work Session" portion of the agenda included a discussion of the Authority's options for developing our property at 335 W. Camillo/922 Castillo Sts. (see attached parcel map). 335 W. Carrillo was purchased from a private party on 8/1/97 using a Redevelopment Agency (RDA) grant of funds and 922 Castillo was purchased on 7/1/97 from a now defunct non-profit (Homes for People—HFP) using a combination of RDA debt forgiveness (debt RDA had extended to HFP) and HACSB's issuance of a tax exempt note (\$253,500) that was purchased by SBB&T.

Our original plans were to construct a congregate care facility on the combined parcels, assuming 1116 De La Vina did not succeed (i.e. receive tax credit award, etc.). Now that 1116 is well on it's way to becoming a reality (with or without us), I have discussed with City Staff and the HA Commission what is the greatest need and what might our options be. It's clear to all parties (myself included) that the site location is not appropriate for "low income families". While rental housing for lower income seniors is a definite possibility, a lot of our (and others) recent efforts have been directed at that population.

The City, in its efforts to encourage more housing downtown—lose the automobile, in short—is very supportive of anything we might do to offer below market rentals to downtown workers that might fall in the, say, 70% to 100% of area median income category. 80% and below is defined as low income with a 1-person household being \$28,800/year, 2-person being \$32,900, and 3-person being \$37,000. This would take in a good number of the office worker and sales person categories. I envision a project that includes related commercial on the Camillo frontage and a high density mix of studios, 1-bedroom, and 2-bedroom units with related rents of say \$600, \$700, and \$800 per month. Current zoning would allow approximately 16 1-bedrrom units. I believe the right project could receive significant bonus density and result in maybe 35 units on the existing land area of 28,750 sq. ft.

The questions for you are:

1. Does existing law allow the Housing Authority to target a specific class of people (say downtown workers, assuming Planning Commission approval of the high density is contingent on housing said class)?
2. Are we able to house "younger" single persons ahead of single elderly, disabled or handicapped persons?—I know federal housing dollars and rules do not permit this, but unsure as to State law.
3. Can we go beyond 80% of area median or is there a State law prohibition?—My recollection is that the "basic" State law is that at least 20% of our "total" inventory must go to serving households at or below 80% of area median and that we do not operate for profit.
4. Can we do develop and lease commercial space if there is a nexus to the housing being built?

If you see problems with any of this "by the Housing Authority", can we use a 501(c)(3) for this? We have one that is not fully activated, but could be used with perhaps some tinkering with its' mission.

Lastly, I am aware of existing use and income targeting requirements recorded against the 335 W. Carrillo piece that came with the RDA dollars—their CC&R's for use and Grant Agreement with respect to performance. Both will require significant revision or revocation by the RDA in order to go down the proposed path. Further, I will discuss with Paul Thimmig the issues surrounding "governmental use" requirements posed by the short term tax exempt note (5 years) we issued as part of our purchase of 922 Castillo St.—922 Castillo is vacant and a short term note was in both the Bank's and our own interests.

I look forward to your response. I plan on discussing this with the Commission at their 6/3/98 meeting—so a "formal opinion" by say 5/29/98 would be greatly appreciated. I know some of the legal constraints, so if you desire some discussion before proceeding, please give me a call.

Thank you.