



December 3, 2010

Steven Faulstich
Housing Programs Supervisor
City of Santa Barbara
630 Garden Street
Santa Barbara, CA 93101

**RE: Request for Funds to Acquire 510, 520 North Salsipuedes and 601 East Haley
To Develop Permanent Affordable Rental Housing**

Dear Mr. Faulstich:

This letter is to request a City loan in the amount of \$2,000,000 for the purpose of purchasing a site for land banking. We would use the loan proceeds to purchase properties located at 510, 520 North Salsipuedes and 601 East Haley Street in downtown Santa Barbara. We plan to develop the site into permanent affordable rental housing for lower-income households. PSHHC and the owners of the properties have signed a purchase agreement, and escrow is scheduled to close on or before February 14, 2011, contingent upon receipt of permanent financing from the City of Santa Barbara.

The need for affordable rental housing in Santa Barbara continues to be strongly demanded and under supplied, as demonstrated by high rents, widespread overcrowding, minimal vacancies and high levels of local long distance workforce commuter traffic. In response to this need in the past, with City financing we have acquired and rehabilitated four existing well functioning rental developments in the City: the Victoria Street Bungalows Phase 1 and 2, and the Victoria Hotel, a renovated historical building serving special needs population, and the Milagro de Ladera Apartments, 51 units with community space on Ladera Street. With City financing, we also built Casas las Granadas, the national award winning multi-family property next to the Granada Garage. The acquisition and development of the properties at Salsipuedes & Haley as permanent affordable rental housing would represent Peoples Self Help Housings (PSHHC) fifth partnership with the City of Santa Barbara. While projects have come forward recently in the City to supply Studio and Single Person Room Occupancy sized units, we plan to develop workforce housing for families. 30% of the units would be three bedrooms and the remaining a mix of one and two bedrooms.

Peoples' Self-Help Housing Corporation

PSHHC is a private non-profit corporation celebrating its 40th year in providing affordable housing, programs and services to lower-income households. Since 1970, PSHHC has developed over 1100 units of home ownership housing on the Central Coast under the "sweat equity" program, and over 1300 units of affordable rental housing. PSHHC's non-profit affiliate, The Duncan Group, provides property management services for all of the rental properties. We have had an office in the City of Santa Barbara since 1996.

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Salsipuedes & Haley Street - Property & Project Description

The current site consists of 3 separate contiguous parcels totaling 41,099 square feet (APNs 031-222-018, -019 and -021) currently zoned C-M, with substandard structures that were moved on the site in the 1940's. An aerial site photo is attached; however, please note that 601 E. Haley is now vacant.

Relatively few parcels ideal for affordable housing remain and are available in the City, and this transaction represents a scarce opportunity to "landbank" the property ahead of projected increasing land prices likely to occur in the near future. This property is well-sited with respect to close proximity to residential services, amenities and potential employment, which can translate into less and shorter daily traffic trips made by residents, and higher competitiveness to attract equity investment into the community through the Low Income Housing Tax Credit program.

The current land use is underutilized and blighted, and at this sale price represents a good value for providing more well planned affordable housing, beautifying the neighborhood, creating local jobs (estimated at approximately 187 jobs per Federal calculation method) and increased economic activity through the course of the development and life of the project.

At this very preliminary stage, PSHHC proposes to construct approximately 45 new attractive units as well as approximately 3000 square feet of community space, and would plan to exceed Title 24 energy standards in its design by more than 35%. Currently PSHHC is working toward offering a projected unit mix of 14 units at 3-bedroom, 15 units at 2-bedroom, and 16 units at 1-bedroom (with one of the 2-bedroom units to be dedicated to an on-site full time resident manager), however more study will be taking place to ensure project feasibility, and no design work has been completed to date.

Services

PSHHC delivers much more than high quality, well-managed affordable housing, since recognizing long ago the importance of also providing our residents with the opportunity to access needed education, health and social services in order to stabilize and improve the quality of their lives.

Its very successful programs include a Youth Education Enhancement Program (YEEP) which offers after-school education programs for K-12th grade students at many of our sites. YEEP focuses on improving student literacy, English, and math skills. The program improves grade point averages, sharpens reading and study skills, promotes high school graduation, builds self-esteem, and fosters parent participation in their child's academic life. In addition, the child's learning experience is enhanced by art, music, science, nutrition, financial education, theater and other activities, as well as workshops with guest-speakers and field trips.

Another critical and highly acclaimed PSHHC on-site service is the Supportive Housing Program (SHP), a clinical case management and social services program, which assists residents with gaining access to community services or provides direct "hands-on" assistance. The program's goal is to ensure that all residents, including those who are transitioning live stable, independent lives. All Peoples' Self-Help Housing rental Housing residents are eligible for SHP services. Access to supportive housing services is free, confidential and voluntary. Tenants are encouraged to utilize SHP whenever needed.

Financing

December 9, 2010

While this request is for land acquisition costs of \$2,000,000, PSHHC will subsequently need to request of the City/RDA for predevelopment and development funds, preliminarily estimated to be an additional \$3,625,000, or \$125,000 per unit total, including the land cost. Other sources of

financing to be leveraged are projected to be Federal Home Loan Bank's Affordable Housing Program funds and permanent private bank financing, as well as 9% tax credit generated investors' equity.

We request that the initial land banking loan of \$2,000,000 be tied to a 5 year time frame for completing the project.

We propose to build 45 units, but in the event this density is not approved we would lower the number of units. If this were to occur the land and other fixed costs would have to be divided by fewer units which would increase the City subsidy request.

Affordability and Occupancy

All 45 units (estimated) of the future residential apartments would be targeted to households earning at or below 60% of Area Median Income (AMI). Proposed affordability is currently being analyzed by PSHHC at primarily targeting very low income earning households: 10% of the units at 30% AMI, 20% of the units at 45% AMI, 45% of the units at 50% AMI, and 25% of the units @ 60% AMI, as a starting goal.

Long-Term Affordability Controls

PSHHC intends to maintain the development as permanently affordable rentals. It is our understanding that the City will record a Regulatory Agreement which assures long-term affordability, both in terms of occupancy and rent levels. Additionally, the anticipated use of Low Income Housing Tax Credit program for financing would require a minimum 55-year affordability restriction recorded on title.

Property Management

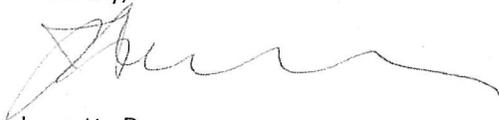
PSHHC intends to utilize The Duncan Group, a 501(c)(3) non-profit affiliate, to provide property management and supportive services to the Development upon close of escrow. The Duncan Group currently manages over 1300 units of affordable rental housing throughout Santa Barbara, Ventura and San Luis Obispo Counties. A resume of The Duncan Group is attached as Exhibit D.

Relocation requirements

We will follow all City, State and federal relocation guidelines for the current tenants of the property.

We look forward to working with you on this development. Should you have any questions or require additional information, please do not hesitate to contact us.

Sincerely,



Jeanette Duncan
Executive Director

ATTACHMENT: Aerial photo of the property.