

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 23, 2007

Project Number CA-2007-837

Project Name Lachen Tara Apartments
Address: 280 Ocean Oaks Lane
Avila Beach, CA 93424 County: San Luis Obispo

Applicant Information

Applicant: Peoples' Self-Help Housing Corp.
Contact: Mark Wilson
Address: 3533 Empleo Street
San Luis Obispo, CA 93401
Phone: (805) 783-4460 Fax: (805) 544-1901
Sponsors Type: Nonprofit

Bond Information

Issuer: California Statewide Communities Development
Expected Date of Issuance: August 14, 2007
Credit Enhancement: N/A

Eligible Basis

Actual: \$8,265,208
Requested: \$8,265,208
Maximum Permitted: \$8,946,709

Extra Feature Adjustments:
Required to Pay Prevailing Wages: 20%
55-Year Use/Rent Restriction Adjustment: 120%
Local Development Impact Fees:

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$386,812	\$0
Recommended:	\$386,812	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 29
Total # Residential Buildings: 5

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 28 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 24
Number of Units @ or below 60% of area median income: 4

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 Studio	50%	\$561
1 Studio	60%	\$673
5 Studio	40%	\$448
6 One-Bedroom	50%	\$601
3 One-Bedroom	60%	\$721
9 One-Bedroom	40%	\$480
1 Two-Bedroom	50%	\$722
1 Two-Bedroom	40%	\$577
1 Two-Bedroom	Manager's Unit	\$0

The general partner or principal owner is Peoples' Self-Help Housing Corp.

The project developer is Peoples' Self-Help Housing Corp.

The management services will be provided by the Duncan Group.

The market analysis was provided by M.E. Shay & Co.

The Local Reviewing Agency, the County of San Luis Obispo, has completed a site review of this project and strongly recommends it.

Project Financing

Estimated Total Project Cost: \$8,664,719 Per Unit Cost: \$298,783 Construction Cost Per Sq. Foot: \$290

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank	\$5,804,203	HCD-MHP	\$1,516,337
County of San Luis Obispo	\$2,054,532	San Luis Obispo County - HOME	\$2,054,532
Accrued Deferred Interest	\$57,527	Accrued Interest	\$57,527
AHP	\$231,000	JCD JSJFWHG	\$595,000
		AHP	\$231,000
		Deferred Developer Fee	\$74,191
		GP Equity	\$324,610
		Investor Equity	\$3,811,522
		TOTAL	\$8,664,719

Determination of Credit Amount(s)

Requested Eligible Basis:	\$8,265,208
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$10,744,770
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$386,812
Approved Developer Fee:	\$500,000
Tax Credit Factor:	\$.98536

Applicant requests and staff recommends annual federal credits of \$386,812 based on a qualified basis of \$10,744,770 and a funding shortfall of \$3,811,522.

Cost Analysis and Line Item Review

The requested eligible basis \$8,265,208 is below TCAC's adjusted threshold basis limit \$8,946,709. The basis limit includes the adjustment for extraordinary features for the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units, projects that are required to pay state or federal prevailing wages, and local development impact. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one.

Staff has calculated federal tax credits based on 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
\$386,812	\$0

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

TCAC makes the reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credits when the project is placed-in-service.

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The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

Additional Conditions: None.

Project Analyst: Elaine Johnson