

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2009 Single Round**

**September 10, 2009**

**Project Number** CA-2009-030

**Project Name** El Patio Hotel

Site Address: 167 South Palm Street

Ventura, CA 93001

County: Ventura

Census Tract: 24.00

**Applicant Information**

Applicant: Peoples' Self-Help Housing Corporation

Contact: Mark Wilson

Address: 3533 Empleo Street

San Luis Obispo, CA 93401

Phone: (805) 783-4460

Fax: (805) 544-1901

Email: markw@pshhc.org

General Partner Type: Nonprofit

**Information**

Set-Aside: Special Needs/SRO

Housing Type: SRO

Geographic Area: Coastal Region

**Tax Credit Amounts**

**Federal/Annual**

**State/Total**

Requested:

\$362,246

\$0

Recommended:

\$362,246

\$0

**ARRA Award Amount**

Federal Calculated Amount Requested:  $(\$362,246 \times 10 \times \$0.06115) = \$221,517$

State Calculated Amount Requested: \$0

Total Federal Award Recommended: \$221,517

Total State Award Recommended: \$0

**Project Information**

Construction Type: Acquisition and Rehabilitation

Federal Subsidy: HOME/HUD Tenant Based Section 8

Total # of Units: 42

Total # Residential Buildings: 1

Federal Set-Aside Elected: 40%/60%

% & No. of Tax Credit Units: 100% - 41 units

Average Affordability of SRO Project: 40%

**Eligible Basis**

Requested: \$4,124,243

Actual: \$4,124,243

Maximum Permitted: \$6,013,124

**Adjustments to Threshold Basis Limit: None**

<b>Selection Criteria</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency/Credit Reduction/Public Funds</b> Maximum 20 points	<b>20</b>	<b>20</b>	<b>20</b>
<input checked="" type="checkbox"/> Public Funds	20	20	20
<b>Owner / Management Characteristics</b> Maximum 9 points	<b>9</b>	<b>9</b>	<b>9</b>
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<b>Housing Needs</b> Maximum 10 points	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b> Maximum 15 points	<b>15</b>	<b>15</b>	<b>15</b>
<input type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes & 25 units per acre density	7	7	0
<input checked="" type="checkbox"/> Within 1500 feet of a regular bus stop or rapid transit system stop	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of public park or community center open to general public	3	3	3
<input type="checkbox"/> Within ¼ mile of public library	3	3	0
<input checked="" type="checkbox"/> Within ½ mile of public library	2	2	2
<input type="checkbox"/> Within ¼ mile of a full-scale grocery store with staples, fresh meat and fresh produce	4	4	0
<input checked="" type="checkbox"/> Within ½ mile of a full-scale grocery store with staples, fresh meat and fresh produce	3	3	3
<input type="checkbox"/> Special Needs or SRO project within ½ mile of a facility operated to serve population	3	3	0
<input checked="" type="checkbox"/> Within ½ mile of medical clinic or hospital	3	3	3
<input checked="" type="checkbox"/> Within ½ mile of a pharmacy	1	1	1
<b>Service Amenities</b> Maximum 10 points	<b>10</b>	<b>10</b>	<b>10</b>
<input checked="" type="checkbox"/> Bona fide service coordinator available	5	5	5
<input checked="" type="checkbox"/> Direct client services available for Senior, SRO, or Special Needs projects	5	5	5
<b>Sustainable Building Methods</b> Maximum 8 points	<b>8</b>	<b>8</b>	<b>8</b>
<input checked="" type="checkbox"/> Rehabilitation, not subject to Title 24, w/75% fluorescent or comparable	2	2	2
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
<input checked="" type="checkbox"/> Construction Indoor Air Quality Management plan	2	2	2
<input checked="" type="checkbox"/> Project has nonsmoking buildings or contiguous sections within a building	1	1	1
<input checked="" type="checkbox"/> Project is located in a QCT that contributes to a community revitalization plan	1	1	1
<b>Lowest Income</b> Maximum 52 points	<b>52</b>	<b>52</b>	<b>52</b>
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b> Maximum 20 points	<b>20</b>	<b>20</b>	<b>20</b>
<b>State Credit Substitution</b> Maximum 2 points	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total Points</b>	<b>146</b>	<b>146</b>	<b>146</b>

**Tie-Breaker Information**

First: Housing Type **SRO**  
 Second: Calculated Ratio per Regulation 10325(c)(10) **92.762%**

<u>Unit Type &amp; Number</u>	<u>2009 Rents % of Area Median Income (rounded)</u>	<u>Proposed Rent (including utilities)</u>
16 Studio Units	30%	\$450
25 Studio Units	40%	\$600
1 One-bedroom Unit	Manager's Unit	\$0

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

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

The management agent is the Duncan Group.

The market analyst is M.E. Shay & Company.

The Local Reviewing Agency, the City of San Buenaventura, has completed a site review of this project and strongly supports this project.

**Project Financing**

Estimated Total Project Cost: \$6,956,459    Per Unit Cost: \$165,630    Construction Cost Per Sq. Foot: \$321

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
Santa Barbara Bank & Trust	\$3,850,000	Santa Barbara Bank & Trust	\$652,582
City of Ventura	\$800,000	HCD-MHP	\$2,142,136
Accrued Deferred Interest	\$11,456	City of Ventura	\$800,000
County of Ventura	\$150,000	Accrued Deferred Interest	\$11,456
Accrued Deferred Interest	\$2,148	County of Ventura	\$150,000
AHP	\$352,000	Accrued Deferred Interest	\$2,148
Sponsor Loan - PSHHC	\$1,241,984	AHP	\$352,000
		GP Equity	\$272
		Investor Equity	\$2,624,348
		TCAC ARRA Award	\$221,517
		<b>TOTAL</b>	<b>\$6,956,459</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$2,657,292
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$1,466,951
Applicable Fraction:	100%
Qualified Basis (Rehabilitation):	\$3,454,480
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$1,466,951
Applicable Rate:	3.50%
Maximum Annual Federal Credit, Rehabilitation:	\$310,903
Maximum Annual Federal Credit, Acquisition:	\$51,343
Total Maximum Annual Federal Credit:	\$362,246
Approved Developer Fee (in Project Cost & Eligible Basis):	\$416,458
Investor Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.72447

**Cost Analysis and Line Item Review**

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations. 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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.50%. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

**Special Issues/Other Significant Information:** Staff noted that the preliminary architectural drawings did not indicate that 90% of the studio/efficiency units were below the maximum size of 500 square feet of living space minimum requirement pursuant to TCAC Regulation section 10325(g)(3)(B). Please note that these maximum square footage requirements must be met when the final architectural drawings are completed and the project is constructed.

Adequate laundry facilities must be available on project premises, with no fewer than one washer/dryer per 15 units upon completion of the project prior to the issuance of federal and state tax forms.

The applicant has stated that the project is master metered for every utility and that the owner will pay all utilities.

**Legal Status:** Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

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

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
\$362,246	\$0
<b>ARRA/Federal</b>	<b>ARRA/State</b>
\$221,517	\$0

### **Standard Conditions**

An application for a carryover allocation must be submitted by **November 20, 2009**, as required by regulation sections 10328(d) and 10323(d)(2), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than twelve (12) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

TCAC makes the preliminary 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 as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. The performance deposit and allocation fees must be paid by cashier's check within the time periods specified in the preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

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 credit when the project is placed-in-service.

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.

If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants.

Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion.

Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2)(P) at project completion.

The Committee may make a Conditional Reservation of American Recovery and Reinvestment Act of 2009 (ARRA), Tax Credit Assistance Program (TCAP) funds for the project sponsor. This Conditional Reservation would not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by the California Tax Credit Allocation Committee of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part §58. The provision of any funds to the project is conditioned on TCAC's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review and further underwriting.

The project sponsor is prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance. A violation of this provision may result in the denial of any funds.

In addition, each project ultimately awarded ARRA TCAP funds will have to comply with all federal requirements, such as Section 504, Davis-Bacon federal labor standards laws, anti-lobbying requirements, lead-based paint rules, and other federal laws.

All ARRA funded projects will be required to track and report on all jobs created or retained as a result of the funds.

Numbers contained in the proposed financing are subject to update and will be refined within 30 days of loan execution agreement.

**Additional Conditions**

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **February 8, 2010**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

**Project Analyst:** Anthony Zeto