

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

May 17, 2017

REVISED

Los Robles Terrace, located at 2940 Spring Street in Paso Robles, requested and is being recommended for a reservation of \$393,295 in annual federal tax credits to finance the acquisition and rehabilitation of 39 units of housing serving seniors tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Peoples' Self-Help Housing Corporation and is located in Senate District 17 and Assembly District 35.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-17-739

Project Name Los Robles Terrace
Site Address: 2940 Spring Street
Paso Robles, CA 93446 County: San Luis Obispo
Census Tract: 101.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$393,295	\$0
Recommended:	\$393,295	\$0

Applicant Information

Applicant: Peoples' Self-Help Housing Corporation
Contact: Darya Oreizi
Address: 3533 Empleo Street
San Luis Obispo, CA 93401
Phone: 805-540-2472 Fax: 805-544-1901
Email: daryao@pshhc.org

General Partner(s) or Principal Owner(s):	Peoples' Self-Help Housing
General Partner Type:	Nonprofit
Parent Company(ies):	Peoples' Self-Help Housing
Developer:	Peoples' Self-Help Housing
Investor/Consultant:	National Equity Fund
Management Agent:	The Duncan Group

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 40
 No. & % of Tax Credit Units: 39 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / HUD Section 8 Project-Based Contract
 (39 Units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 39

Bond Information

Issuer: CA Municipal Finance Authority
 Expected Date of Issuance: July 1, 2017
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Carmen Doonan

Unit Mix

10 SRO/Studio Units
 30 1-Bedroom Units

 40 Total Units

Unit Type & Number	2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
10 SRO/Studio	50%	50%	\$668
29 1 Bedroom	50%	50%	\$716
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$18,113,040

Project Cost Summary at Application

Land and Acquisition	\$4,445,000
Construction Costs	\$0
Rehabilitation Costs	\$3,690,052
Construction Contingency	\$369,005
Relocation	\$815,470
Architectural/Engineering	\$145,000
Const. Interest, Perm. Financing	\$340,072
Legal Fees, Appraisals	\$87,500
Reserves	\$269,988
Other Costs	\$233,927
Developer Fee	\$1,335,738
Commercial Costs	\$0
Total	\$11,731,752

Project Financing

Estimated Total Project Cost:	\$11,731,752
Estimated Residential Project Cost:	\$11,731,752
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$123
Per Unit Cost:	\$293,294
True Cash Per Unit Cost*:	\$218,887

Construction Financing

Source	Amount
Wells Fargo	\$6,420,479
Seller Carryback Note	\$2,895,771
Seller Carryback Accrued Interest	\$80,502
SLO County HOME	\$190,000
SLO County HOME Accrued Interest	\$3,397
Existing Reserves	\$250,000
Deferred Costs	\$603,341
Deferred Developer Fee	\$693,733
Tax Credit Equity	\$594,529

Permanent Financing

Source	Amount
CCRC	\$3,190,200
Seller Carryback Note	\$2,895,771
Seller Carryback Accrued Interest	\$80,502
SLO County HOME	\$190,000
SLO County HOME Accrued Interest	\$3,397
General Partner Loan	\$219,837
Existing Reserves	\$250,000
Deferred Developer Fee	\$693,733
Tax Credit Equity	\$4,208,312
TOTAL	\$11,731,752

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,202,407
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$4,038,254
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$8,063,129
Qualified Basis (Acquisition):	\$4,038,254
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$262,052
Maximum Annual Federal Credit, Acquisition:	\$131,243
Total Maximum Annual Federal Credit:	\$393,295
Approved Developer Fee in Project Cost:	\$1,335,738
Approved Developer Fee in Eligible Basis:	\$1,335,738
Investor/Consultant:	National Equity Fund
Federal Tax Credit Factor:	\$1.07001

Per Regulation Section 10322(h)(9)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$10,240,661
Actual Eligible Basis:	\$10,240,661
Unadjusted Threshold Basis Limit:	\$9,515,400
Total Adjusted Threshold Basis Limit:	\$19,030,800

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 100%

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 3.25% of the qualified basis. 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: None.

Local Reviewing Agency

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

Recommendation

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

Federal Tax Credits/Annual	State Tax Credits/Total
\$393,295	\$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.

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.

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 reservation 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 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.

Additional Conditions

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.