CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 17, 2017

Lindsay Village, located at the Southeast corner of Hermosa Street and Westwood Avenue in Lindsay, requested and is being recommended for a reservation of $603,717 in annual federal tax credits to finance the new construction of 49 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Self-Help Enterprises and will be located in Senate District 14 and Assembly District 26.

The project financing includes state funding from the MHP and AHSC program(s) of HCD.

Project Number CA-17-748

Project Name Lindsay Village
Site Address: Southeast corner of Hermosa Street and Westwood Avenue
Lindsay, CA 93247 County: Tulare
Census Tract: 28.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$603,717	$0
Recommended:	$603,717	$0

Applicant Information
Applicant: Self-Help Enterprises
Contact: Betsy McGovern-Garcia
Address: 8445 W. Elowin Court
Visalia, CA 93291
Phone: (559) 802-1653 Fax: (559) 651-3634
Email: betsyg@selfhelpenterprises.org

General Partner(s) or Principal Owner(s): Self-Help Enterprises
General Partner Type: Nonprofit
Parent Company(ies): Self-Help Enterprises
Developer: Self-Help Enterprises
Investor/Consultant: Community Economics
Management Agent: A.W.I. Property Management

Project Information

Construction Type:	New Construction	
Total # Residential Buildings:	8	
Total # of Units:	50	
No. & % of Tax Credit Units:	49	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt	
HCD MHP Funding:	Yes	
55-Year Use/Affordability:	Yes	

Number of Units @ or below 35% of area median income: 4
Number of Units @ or below 50% of area median income: 45

Bond Information

Issuer:	California Statewide Communities
Expected Date of Issuance:	September 1, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	Central Valley Region
TCAC Project Analyst:	Carmen Doonan

Unit Mix

14 1-Bedroom Units
18 2-Bedroom Units
18 3-Bedroom Units
50 Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	1 Bedroom	30%	29%	$316
4	1 Bedroom	40%	39%	$427
9	1 Bedroom	50%	49%	$538
1	2 Bedrooms	30%	28%	$373
3	2 Bedrooms	40%	38%	$506
14	2 Bedrooms	50%	48%	$638
2	3 Bedrooms	30%	28%	$424
4	3 Bedrooms	40%	38%	$578
11	3 Bedrooms	50%	48%	$731
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Projected Lifetime Rent Benefit: $7,681,872

Project Cost Summary at Application

Land and Acquisition	$782,136
Construction Costs	$10,050,982
Rehabilitation Costs	$0
Construction Contingency	$510,050
Relocation	$0
Architectural/Engineering	$800,000
Const. Interest, Perm. Financing	$823,731
Legal Fees, Appraisals	$10,000
Reserves	$140,225
Other Costs	$540,973
Developer Fee	$1,863,804
Commercial Costs	$0
Total	**$15,521,901**

Project Financing

Estimated Total Project Cost:	$15,521,901
Estimated Residential Project Cost:	$15,521,901
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$209
Per Unit Cost:	$310,438
True Cash Per Unit Cost*:	$310,438

Construction Financing

Source	Amount
Wells Fargo Bank	$12,012,908
AHP	$500,000
Sponsor Loan	$35,807
Tax Credit Equity	$1,179,157

Permanent Financing

Source	Amount
HCD - AHSC	$4,043,694
HCD - MHP	$4,400,000
AHP	$500,000
Sponsor Loan	$35,807
General Partner Contribution	$663,804
Tax Credit Equity	$5,878,596
TOTAL	**$15,521,901**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$14,289,165
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$18,575,915
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	$603,717
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,863,804
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	$0.97373

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:	$14,289,165
Actual Eligible Basis:	$14,289,165
Unadjusted Threshold Basis Limit:	$14,867,236
Total Adjusted Threshold Basis Limit:	$34,066,490

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 91%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 16%

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

The applicant’s estimate of the 3-month operating reserve shown in the application development budget is slightly below TCAC’s minimum. At placed-in-service review, the applicant is cautioned that the 3-month operating reserve must meet the TCAC required minimum.

Local Reviewing Agency

The Local Reviewing Agency, the City of Lindsay, 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**
$603,717	**$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 TCAC:

- After school program on-site for a minimum of 10 hours per week
- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year