

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

January 20, 2016

Jardin de las Rosas, located at 510 and 520 North Salsipuedes and 601 East Haley Street in Santa Barbara, requested and is being recommended for a reservation of \$647,202 in annual federal tax credits to finance the new construction of 39 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Peoples' Self Help Housing Corp. and will be located in Senate District 19 and Assembly District 37.

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

Project Number CA-16-808

Project Name Jardin de Las Rosas
Site Address: 510 and 520 North Salsipuedes, 601 East Haley Street
Santa Barbara, CA 93103 County: Santa Barbara
Census Tract: 8.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$647,175	\$0
Recommended:	\$647,175	\$0

Applicant Information

Applicant: Peoples' Self Help Housing Corporation
Contact: Carlos Jimenez
Address: 3533 Empleo Street
San Luis Obispo, CA 93401
Phone: (805) 305-5625 Fax: (805) 544-1901
Email: carlosj@pshhc.org

General Partner(s) or Principal Owner(s): Peoples' Self Help Housing Corporation
General Partner Type: Nonprofit
Parent Company(ies): Peoples' Self Help Housing Corporation
Developer: Peoples' Self Help Housing Corporation
Management Agent: The Duncan Group

Project Information

Construction Type: New Construction
 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 Vouchers (8 units - 21%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 16
 Number of Units @ or below 60% of area median income: 23

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: March 15, 2016
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Marlene McDonough

Unit Mix

5 1-Bedroom Units
 22 2-Bedroom Units
 13 3-Bedroom Units

 40 Total Units

Unit Type & Number	2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1 1 Bedroom	45%	45%	\$676
1 1 Bedroom	50%	50%	\$752
3 1 Bedroom	60%	60%	\$902
3 2 Bedrooms	45%	45%	\$811
7 2 Bedrooms	50%	50%	\$902
11 2 Bedrooms	60%	60%	\$1,082
2 3 Bedrooms	45%	45%	\$938
2 3 Bedrooms	50%	50%	\$1,043
9 3 Bedrooms	60%	60%	\$1,251
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,243,177
Construction Costs	\$11,596,420
Rehabilitation Costs	\$0
Construction Contingency	\$493,509
Relocation	\$0
Architectural/Engineering	\$592,190
Construction Interest, Perm Financing	\$770,375
Legal Fees, Appraisals	\$65,000
Reserves	\$108,030
Other Costs	\$495,290
Developer Fee	\$1,967,695
Commercial Costs	\$0
Total	\$18,331,686

Project Financing

Estimated Total Project Cost:	\$18,331,686
Estimated Residential Project Cost:	\$18,331,686

Residential

Construction Cost Per Square Foot:	\$233
Per Unit Cost:	\$458,292

Construction Financing

Source	Amount
Union Bank	\$9,848,712
City of Santa Barbara - HOME	\$585,000
County of Santa Barbara Trust Fund	\$400,000
Accrued / Deferred Interest	\$25,667
GVHC* Loan	\$5,237,323
General Partner Equity	\$100
Tax Credit Equity	\$664,188

Permanent Financing

Source	Amount
CCRC	\$2,086,400
CCRC - Tranche B	\$673,100
City of Santa Barbara - RDA	\$2,000,000
City of Santa Barbara - HOME	\$1,400,000
County of Santa Barbara Trust Fund	\$400,000
Accrued / Deferred Interest	\$25,667
GVHC* Loan	\$5,237,323
General Partner Equity	\$100
Tax Credit Equity	\$6,509,096
TOTAL	\$18,331,686

*Goleta Valley Housing Corporation

Determination of Credit Amount(s)

Requested Eligible Basis:	\$15,085,659
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$19,611,356
Applicable Rate:	3.30%
Maximum Annual Federal Credit:	\$647,175
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,967,695
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$1.00577

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:	\$15,085,659
Actual Eligible Basis:	\$15,085,659
Unadjusted Threshold Basis Limit:	\$13,109,326
Total Adjusted Threshold Basis Limit:	\$18,484,150

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: 41%

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 3.30% 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 Community Development Department - City of Santa Barbara, 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
\$647,175	\$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 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 becoming certified under any one of the following programs:
GreenPoint Rated Multifamily Guidelines