

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2016 First Round
June 8, 2016

Los Adobes de Maria III, located at 525 South Russell Avenue in Santa Maria, requested and is being recommended for a reservation of \$837,018 in annual federal tax credits to finance the new construction of 33 units of housing serving large families with rents affordable to households earning 30-60% 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 35.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-16-038

Project Name Los Adobes de Maria III
Site Address: 525 South Russell Avenue
Santa Maria, CA 93458 County: Santa Barbara
Census Tract: 24.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$837,018	\$0
Recommended:	\$837,018	\$0

Applicant Information

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

General Partner(s) / 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
Investor/Consultant:	Community Economics
Management Agent(s):	The Duncan Group

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 34
 No. & % of Tax Credit Units: 33 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: CDBG / HOME / USDA RHS 514 /
 USDA RHS 521 Rental Assistance (33 units - 100%)
 Utility Allowance: CUAC
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 4 10 %
 45% AMI: 9 25 %
 50% AMI: 14 40 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Connie Harina

Unit Mix

23 2-Bedroom Units
 11 3-Bedroom Units

 34 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 2 Bedrooms	30%	30%	\$541
6 2 Bedrooms	45%	45%	\$811
11 2 Bedrooms	50%	50%	\$902
3 2 Bedrooms	60%	60%	\$1,082
2 3 Bedrooms	30%	30%	\$625
3 3 Bedrooms	45%	45%	\$938
3 3 Bedrooms	50%	50%	\$1,043
3 3 Bedrooms	60%	60%	\$1,251
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,453,951
Construction Costs	\$10,172,607
Rehabilitation Costs	\$0
Construction Contingency	\$508,630
Relocation	\$0
Architectural/Engineering	\$341,950
Construction Interest, Perm Financing	\$599,545
Legal Fees, Appraisals	\$65,000
Reserves	\$138,718
Other Costs	\$941,212
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$15,621,613

Project Financing

Estimated Total Project Cost:	\$15,621,613
Estimated Residential Project Cost:	\$15,621,613
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$295
Per Unit Cost:	\$459,459
Effective Per Unit Cost*:	\$429,685

Construction Financing

Source	Amount
Rabobank	\$9,606,155
City of Santa Maria - CDBG	\$200,000
City of Santa Maria - CDBG	\$601,148
County of Santa Barbara - HOME	\$948,852
Housing Trust Fund of Santa Barbara	\$340,000
NeighborWorks America	\$825,000
Tax Credit Equity	\$1,738,838

Permanent Financing

Source	Amount
CCRC Loan	\$583,000
City of Santa Maria - CDBG	\$200,000
City of Santa Maria - CDBG	\$601,148
County of Santa Barbara - HOME	\$948,852
Housing Trust Fund of Santa Barbara	\$340,000
USDA RHS 514	\$3,000,000
NeighborWorks America	\$825,000
General Partner Equity	\$104
Deferred Developer Fee	\$429,320
Tax Credit Equity	\$8,694,189
TOTAL	\$15,038,613

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$7,154,007
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$9,300,209
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$837,018
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.03871

Per Regulation Section 10322(i)(4)(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:	\$7,154,007
Actual Eligible Basis:	\$13,736,096
Unadjusted Threshold Basis Limit:	\$10,382,400
Total Adjusted Threshold Basis Limit:	\$15,304,061

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

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- New construction: project buildings are at least 15% more energy efficient than 2013 Energy Efficiency Standards as indicated in TCAC Regulations.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Large Family
Final:	57.442%

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 9.0% 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.

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.

Local Reviewing Agency

The Local Reviewing Agency, the City of Santa Maria, 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
\$837,018	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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. 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. 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) at project completion.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/8 mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of public high school where tenants may attend	3	3	3
Within 1/2 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Other Services Specialist, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.