

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

Rolling Hills II, located at 999 Las Tablas Road in Templeton, requested and is being recommended for a reservation of \$794,415 in annual federal tax credits to finance the new construction of 29 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 Corporation and will be 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 Vouchers.

Project Number CA-16-056

Project Name Rolling Hills II
Site Address: 999 Las Tablas Road
 Templeton, CA 93465 County: San Luis Obispo
Census Tract: 127.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$794,415	\$0
Recommended:	\$794,415	\$0

Applicant Information

Applicant: Peoples' Self-Help Housing Corporation
Contact: Eric Blacker
Address: 3533 Empleo Street
 San Luis Obispo, CA 93401
Phone: 805-540-2480 Fax: 805-544-1901
Email: ericb@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, Inc.
Management Agent(s): The Duncan Group

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 5
 Total # of Units: 30
 No. & % of Tax Credit Units: 29 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME/HUD Section 8 Project-based Vouchers (8 Units - 27%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 3 10 %
 45% AMI: 8 25 %
 50% AMI (Rural): 12 40 %

Information

Set-Aside: Rural (HOME)
 Housing Type: Large Family
 Geographic Area: N/A
 TCAC Project Analyst: Zhuo Chen

Unit Mix

2 1-Bedroom Units
 18 2-Bedroom Units
 10 3-Bedroom Units

 30 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 1 Bedroom	50%	49%	\$705
2 2 Bedrooms	30%	29%	\$507
5 2 Bedrooms	45%	44%	\$761
6 2 Bedrooms	50%	49%	\$846
4 2 Bedrooms	60%	59%	\$1,015
1 3 Bedrooms	30%	29%	\$586
3 3 Bedrooms	45%	44%	\$880
4 3 Bedrooms	50%	49%	\$978
2 3 Bedrooms	60%	59%	\$1,173
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,666,600
Construction Costs	\$6,317,454
Rehabilitation Costs	\$0
Construction Contingency	\$224,700
Relocation	\$0
Architectural/Engineering	\$285,000
Construction Interest, Perm Financing	\$565,191
Legal Fees, Appraisals	\$41,247
Reserves	\$74,185
Other Costs	\$1,836,481
Developer Fee	\$1,347,646
Commercial Costs	\$0
Total	\$12,358,503

Project Financing

Estimated Total Project Cost:	\$12,358,503
Estimated Residential Project Cost:	\$12,358,503
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$168
Per Unit Cost:	\$411,950
Effective Per Unit Cost*:	\$368,617

Construction Financing

Source	Amount
JP Morgan Chase	\$7,534,339
County of San Luis Obispo-HOME	\$1,224,168
County of San Luis Obispo	\$52,380
SLO County Housing Trust Fund	\$300,000
Land Donation	\$1,300,000
GP Equity	\$100
Tax Credit Equity	\$818,886

Permanent Financing

Source	Amount
CCRC - Tranche A	\$731,000
CCRC - Tranche B	\$562,000
County of San Luis Obispo-HOME	\$1,224,168
County of San Luis Obispo	\$52,380
SLO County Housing Trust Fund	\$300,000
Land Donation	\$1,300,000
GP Equity	\$100
Tax Credit Equity	\$8,188,855
TOTAL	\$12,358,503

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$7,147,231
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis Credit Reduction (4%)	\$371,657
Qualified Basis:	\$8,919,744
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$794,415
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,347,646
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$1.03080

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:	\$7,147,231
Actual Eligible Basis:	\$10,331,949
Unadjusted Threshold Basis Limit:	\$8,387,148
Total Adjusted Threshold Basis Limit:	\$9,999,988

Adjustments to Basis Limit

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Final:	27.148%

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, or, in the case of acquisition credit or credit combined with federal subsidies, 3.21%. 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 requested and is being granted a waiver from the on-site community area requirement under Section 10325(g)(1)(E), provided that a Reciprocal Use Agreement be in place no later than the place-in-service date, allowing Rolling Hills II residents to utilize the community building at Rolling Hills I throughout the 55-year extended use period.

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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$794,415

State Tax Credits/Total
\$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
Credit Reduction	20	4	4
Public Funds	20	16	16
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 ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of a neighborhood market of at least 5,000 sf	3	3	3
Within 1.5 mile of a public high school and within attendance area	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 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			
Energy efficiency beyond CA Building Code Title 24 requirements: 15.0%	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.