

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2018 Second Round

September 19, 2018

Sierra Madre Cottages, located at 624 East Camino Colegio Street in Santa Maria, requested and is being recommended for a reservation of \$783,303 in annual federal tax credits and \$2,610,995 in total state tax credits to finance the new construction of 39 units of housing serving seniors 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 19 and Assembly District 35.

Project Number CA-18-105

Project Name Sierra Madre Cottages
Site Address: 624 East Camino Colegio Street
Santa Maria, CA 93454 County: Santa Barbara
Census Tract: 21.020

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$783,303	\$2,610,995
Recommended:	\$783,303	\$2,610,995

* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: Peoples' Self-Help Housing Corporation
Contact: Carlos Jimenez
Address: 3533 Empleo Street
San Luis Obispo, CA 93401
Phone: (805) 699-7233
Email: carlosj@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: 10
Total # of Units: 40
No. & % of Tax Credit Units: 39 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: CDBG / HOME

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 4	10%
At or Below 45% AMI: 8	20%
At or Below 50% AMI: 16	40%
At or Below 60% AMI: 11	25%

Unit Mix

36 1-Bedroom Units
4 2-Bedroom Units
<u>40 Total Units</u>

<u>Unit Type & Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	30%	30%	\$564
7 1 Bedroom	45%	45%	\$846
15 1 Bedroom	50%	50%	\$941
11 1 Bedroom	60%	60%	\$1,129
1 2 Bedrooms	30%	30%	\$676
1 2 Bedrooms	45%	45%	\$1,015
1 2 Bedrooms	50%	50%	\$1,128
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$14,390,640

Project Cost Summary at Application

Land and Acquisition	\$1,030,935
Construction Costs	\$8,769,509
Rehabilitation Costs	\$0
Construction Contingency	\$438,475
Relocation	\$0
Architectural/Engineering	\$400,610
Const. Interest, Perm. Financing	\$880,618
Legal Fees, Appraisals	\$50,000
Reserves	\$92,197
Other Costs	\$623,281
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$13,685,625

Residential

Construction Cost Per Square Foot:	\$325
Per Unit Cost:	\$342,141
True Cash Per Unit Cost*:	\$342,141

Construction Financing

Source	Amount
Bank of America	\$9,634,992
City of Santa Maria CDBG	\$400,893
County of Santa Barbara HOME	\$1,400,000
AHP	\$390,000
General Partner Donation	\$30,147
Deferred Costs	\$851,392
General Partner Equity	\$100
Tax Credit Equity	\$978,101

Permanent Financing

Source	Amount
Bank of America	\$2,023,200
City of Santa Maria CDBG	\$400,893
County of Santa Barbara HOME	\$1,400,000
AHP	\$390,000
General Partner Donation	\$30,147
General Partner Equity	\$100
Tax Credit Equity	\$9,441,285
TOTAL	\$13,685,625

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$8,703,364
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$8,703,364
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$783,303
Total State Credit:	\$2,610,995
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.95532
State Tax Credit Factor:	\$0.75000

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$8,703,364
Actual Eligible Basis:	\$12,353,743
Unadjusted Threshold Basis Limit:	\$10,532,260
Total Adjusted Threshold Basis Limit:	\$13,415,388

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:

- New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.

Local Development Impact Fees

Tie-Breaker Information

First:	Seniors
Final:	21.558%

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.

Significant Information / Additional Conditions. None.

Resyndication and Resyndication Transfer Event. 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, City of Santa Maria, has completed a site review of this project and strongly supports this project.

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 fifteen 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)(5) 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.

Points System	Max. Possible Points	Requested Points	Points Awarded
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, service every 30 minutes in rush hours	6	6	6
Within ¾ mile of public park or community center open to general public	2	2	2
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Senior project within ½ mile of daily operated senior center/facility	3	3	3
Within 1 mile of a pharmacy	1	1	1
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 Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	113	113	113

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.