

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

Broad Street Place , located at 3720 Broad Street in San Luis Obispo, requested and is being recommended for a reservation of \$1,686,414 in annual federal tax credits to finance the new construction of 39 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 17 and Assembly District 35.

The project financing includes state funding from the VHHP program of HCD.

Project Number CA-20-084

Project Name Broad Street Place
Site Address: 3720 Broad Street
San Luis Obispo, CA 93401 County: San Luis Obispo
Census Tract: 115.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,686,414	\$0
Recommended:	\$1,686,414	\$0

Applicant Information

Applicant: Peoples' Self-Help Housing Corporation
Contact: Steven Orozco
Address: 3533 Empleo Street
San Luis Obispo, CA 93401
Phone: 805-234-9504
Email: steveno@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): Peoples' Self-Help Housing

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 40
No. & % of Tax Credit Units: 39 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: CDBG
Utility Allowance: CUAC

Information

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

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI:	12 30%
At or Below 50% AMI:	7 15%
At or Below 60% AMI:	20 50%

Unit Mix

1 SRO/Studio Units
9 1-Bedroom Units
19 2-Bedroom Units
11 3-Bedroom Units
<u>40 Total Units</u>

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 SRO/Studio	50%	44%	\$740
6 1 Bedroom	30%	20%	\$364
1 1 Bedroom	50%	50%	\$909
2 1 Bedroom	60%	60%	\$1,091
4 2 Bedrooms	30%	20%	\$436
4 2 Bedrooms	50%	50%	\$1,091
11 2 Bedrooms	60%	60%	\$1,309
2 3 Bedrooms	30%	30%	\$756
1 3 Bedrooms	50%	50%	\$1,261
7 3 Bedrooms	60%	60%	\$1,513
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,892,859
Construction Costs	\$12,763,478
Rehabilitation Costs	\$0
Construction Contingency	\$703,227
Relocation	\$0
Architectural/Engineering	\$759,557
Const. Interest, Perm. Financing	\$1,267,130
Legal Fees	\$72,897
Reserves	\$206,987
Other Costs	\$1,396,314
Developer Fee	\$2,200,000
Commercial Costs	\$614,237
Total	\$21,876,686

Residential

Construction Cost Per Square Foot:	\$426
Per Unit Cost:	\$529,258
True Cash Per Unit Cost*:	\$525,629

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
JP Morgan Chase	\$16,096,072	JP Morgan Chase	\$2,271,900
County of SLO CDBG	\$338,864	County of SLO CDBG	\$338,864
City of SLO In-Lieu Funds	\$1,300,000	City of SLO In-lieu funds	\$1,300,000
City of San Luis Obispo	\$347,042	City of San Luis Obispo	\$347,042
GP Equity	\$338,720	HCD VHHP	\$1,737,651
Tax Credit Equity	\$1,551,501	Deferred Developer Fee	\$150,000
		GP Equity	\$338,720
		Tax Credit Equity	\$15,392,509
		TOTAL	\$21,876,686

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$14,413,794
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$18,737,932
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,686,414
Approved Developer Fee in Project Cost:	\$2,200,000
Approved Developer Fee in Eligible Basis:	\$2,107,865
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.91274

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:	\$14,413,794
Actual Eligible Basis:	\$18,784,994
Unadjusted Threshold Basis Limit:	\$13,236,206
Total Adjusted Threshold Basis Limit:	\$16,715,759

Adjustments to Basis Limit

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

- Project has onsite renewable generation estimated to produce 50% or more of annual tenant 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.
- Irrigate only with reclaimed water, greywater, or rainwater (excepting water used for Community Gardens) or irrigate with reclaimed water, grey water, or rainwater in an amount that annually equals or exceeds 20,000 gallons or 300 gallons per unit, whichever is less.

Local Development Impact Fees

Highest or High Resource Opportunity Area

Tie-Breaker Information

First: **Large Family**
Final: **47.344%**

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 meet or 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, 3.24%. 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 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.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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 (van or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of a pharmacy	2	2	2
Highest or High Resources Area	8	8	8
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/REHABILITATION			
Water Efficiency: Irrigate only with reclaimed water, greywater, or rainwater	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.