

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 23, 2009

Project Number CA-2009-852

Project Name Rolling Hills Apartments
Address: 971 - 999 Las Palmas Drive
Templeton, CA 93465 County: San Luis Obispo

Applicant Information

Applicant: People's Self-Help Housing Corporation
Contact Mark Wilson
Address: 3533 Empleo Street
San Luis Obispo, CA 93401
Phone: (805) 783-4460 **Fax:** (805) 544-1901
Email: markw@pshhc.org
Sponsors Type: Nonprofit

Information

Housing Type: At-Risk

Bond Information

Issuer: CSCDA
Expected Date of Issuance: January 2010
Credit Enhancement: None

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$194,913	\$0
Recommended:	\$194,913	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt//USDA RHS 515/HOME
HCD MHP Funding: Yes
Total # of Units: 53
Total # Residential Buildings: 13
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 52 units
55-Year Use/Affordability Restriction: Yes

Eligible Basis

Actual: \$5,060,390
Requested: \$5,060,390
Maximum Permitted: \$28,445,520

Adjustments to Threshold Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units that are Income Targeted
 Between 50% AMI & 36% AMI: 88%

<u>Unit Type & Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
5 One-bedroom Units	40%	\$530
3 One-bedroom Units	50%	\$663
1 One-bedroom Unit	60%	\$795
17 Two-bedroom Units	40%	\$636
10 Two-bedroom Units	50%	\$796
4 Two-bedroom Units	60%	\$955
7 Three-bedroom Units	40%	\$736
4 Three-bedroom Units	50%	\$920
1 Three-bedroom Unit	60%	\$1,104
1 Two-bedroom Unit	Manager's Unit	\$0

The general partner or principal owner is People's Self-Help Housing Corporation.

The project developer is People's Self-Help Housing Corporation.

The management services will be provided by The Duncan Group

The market analysis was provided by M.E. Shay & Co.

The Local Reviewing Agency, the County of San Luis Obispo, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$9,017,520 Per Unit Cost: \$170,142 Construction Cost Per Sq. Foot: \$36

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Wells Fargo Bank - Tax Exempt Bonds	\$4,318,815	Wells Fargo Bank - Tax Exempt Bonds	\$1,131,800
USDA 515 Loan Assumption	\$1,992,000	USDA 515 Loan Assumption	\$1,992,000
County of San Luis Obispo (HOME)	\$1,000,000	HCD - MHP	\$2,618,762
Coast National Bank AHP	\$397,500	County of San Luis Obispo (HOME)	\$1,000,000
Reserves	\$167,000	Coast National Bank AHP	\$397,500
Income from operations	\$94,117	Reserves	\$167,000
TCAC ARRA Award	\$241,884	Income from operations	\$94,117
		GP Equity	\$147
		TCAC ARRA Award	\$241,884
		Investor Equity	\$1,374,310
		TOTAL	\$9,017,520

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis: \$2,329,140

Requested Acquisition Eligible Basis:	\$2,731,250
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$3,027,882
Qualified Acquisition Basis:	\$2,731,250
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$105,976
Maximum Annual Federal Acquisition Credit:	\$95,594
Total Maximum Annual Federal Credit:	\$194,913
Approved Developer Fee (in Project Cost & Eligible Basis):	\$660,051
Investor Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.70509

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 limitation. 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 3.50% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: The "Total Land and Acquisition Cost" value included in project cost is subject to approval by the County of Ventura in accordance with Section 10327(c)(7).

Recommendation: Staff recommends that the Committee make a 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
\$194,913

State Tax Credits/Total
\$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 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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 provide the tenants with contracts for services free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: Gina Ferguson