CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 20, 2015

Project Number CA-15-849

Project Name Villa la Esperanza
Site Address: 131 South Kellogg
Goleta, CA 93117 County: Santa Barbara
Census Tract: 30.010

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,059,590	$0
Recommended:	$1,059,590	$0

Applicant Information

Applicant: Villa la Esperanza, L.P.
Contact: Mark Wilson
Address: 3533 Empleo Street
San Luis Obispo, CA 93401
Phone: 805-540-2460 Fax: 805-544-1901
Email: markw@pshhc.org

General Partner(s) or 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: California Housing Partnership Corporation
Management Agent: The Duncan Group

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 19
Total # of Units: 83
No. & % of Tax Credit Units: 82 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Project-based Section 8 Contract (75 units - 90%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 25
Number of Units @ or below 60% of area median income: 56

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	July 1, 2015
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	Central Coast Region
TCAC Project Analyst:	Connie Harina

Unit Mix

4	SRO/Studio Units
4	1-Bedroom Units
28	2-Bedroom Units
28	3-Bedroom Units
18	4-Bedroom Units
1	5-Bedroom Units
83	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	SRO/Studio	50%	47%	$662
2	SRO/Studio	60%	57%	$795
2	1 Bedroom	50%	47%	$710
2	1 Bedroom	60%	57%	$852
7	2 Bedrooms	50%	47%	$852
21	2 Bedrooms	60%	57%	$1,023
7	3 Bedrooms	50%	47%	$984
19	3 Bedrooms	60%	57%	$1,181
7	4 Bedrooms	50%	47%	$1,098
11	4 Bedrooms	60%	57%	$1,318
1	5 Bedrooms	60%	57%	$1,454
2	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$23,390,000
Construction Costs	$0
Rehabilitation Costs	$8,216,135
Construction Contingency	$1,232,420
Relocation	$0
Architectural/Engineering	$260,000
Construction Interest, Perm Financing	$1,704,016
Legal Fees, Appraisals	$17,500
Reserves	$526,228
Other Costs	$550,786
Developer Fee	$2,500,000
Commercial Costs	$0
Total	**$38,397,085**

Project Financing

Estimated Total Project Cost:	$38,397,085
Estimated Residential Project Cost:	$38,397,085

Residential

Construction Cost Per Square Foot:	$38
Per Unit Cost:	$462,615

Construction Financing

Source	Amount
Wells Fargo	$25,544,496
Seller Carryback Note	$11,945,347
Deferred Costs	$515,000
Tax Credit Equity	$392,242

Permanent Financing

Source	Amount
CCRC	$15,219,400
Seller Carryback Note	$11,945,347
Income from Operations	$775,000
Tax Credit Equity	$10,457,338
TOTAL	**$38,397,085**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$12,541,014
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$15,805,460
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$16,303,318
Qualified Basis (Acquisition):	$15,805,460
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$538,010
Maximum Annual Federal Credit, Acquisition:	$521,580
Total Maximum Annual Federal Credit:	$1,059,590
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.98692

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:	$28,346,474
Actual Eligible Basis:	$28,346,474
Unadjusted Threshold Basis Limit:	$29,759,402
Total Adjusted Threshold Basis Limit:	$38,839,903

Adjustments to Basis Limit:

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 30%

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 3.30% 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:

Staff noted a per unit development cost of $462,615, which is relatively higher than the average for a rehabilitation project in the geographic area. The high cost is attributable to the high cost of the land and existing improvements and the need to relocate 15-20 over-income households.

This project involves the conversion of an existing 75 unit site with HUD 236 financing to 83 total units with a HUD project based section 8 contract for 75 of the 83 units (90%).

Local Reviewing Agency:

The Local Reviewing Agency, the City of Goleta, 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**
$1,059,590	**$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 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 reservation 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.

Additional Conditions:
The applicant/owner is required to provide the tenants with the following service amenities 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:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 20% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.