

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**July 20, 2016**

Village at Los Carneros, located at 11 Compass Lane, 6500 Sea Star Lane, 10 Longshore Place, and 6501 Cobble Lane in Goleta, requested and is being recommended for a reservation of \$798,132 in annual federal tax credits to finance the new construction of 69 units of housing serving large families with rents affordable to households earning 50-60% 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 37.

**Project Number** CA-16-904

**Project Name** Village at Los Carneros  
**Site Address:** 11 Compass Lane, 6500 Sea Star Lane  
10 Longshore Place, 6501 Cobble Lane  
Goleta, CA 93117 County: Santa Barbara

**Census Tract:** 29.220

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$798,132	\$0
Recommended:	\$798,132	\$0

**Applicant Information**

**Applicant:** Peoples' Self Help Housing Corporation  
**Contact:** Carlos Jimenez  
**Address:** 3533 Empleo Street  
San Luis Obispo, CA 93401  
**Phone:** (805) 305-5625 Fax: (805) 544-1901  
**Email:** carlosj@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:** Merritt Community Capital Corporation  
**Management Agent:** The Duncan Group

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 4  
 Total # of Units: 70  
 No. & % of Tax Credit Units: 69 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 13  
 Number of Units @ or below 60% of area median income: 56

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: August 1, 2016  
 Credit Enhancement: N/A

**Information**

Housing Type: Large Family  
 Geographic Area: Central Coast Region  
 TCAC Project Analyst: Zhuo Chen

**Unit Mix**

14 1-Bedroom Units  
 31 2-Bedroom Units  
 25 3-Bedroom Units  


---

 70 Total Units

<u>Unit Type &amp; Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	50%	50%	\$790
9 1 Bedroom	60%	60%	\$948
4 2 Bedrooms	50%	50%	\$947
26 2 Bedrooms	60%	60%	\$1,137
4 3 Bedrooms	50%	50%	\$1,095
21 3 Bedrooms	60%	60%	\$1,314
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$837,000
Construction Costs	\$13,160,921
Rehabilitation Costs	\$0
Construction Contingency	\$684,478
Relocation	\$0
Architectural/Engineering	\$306,800
Const. Interest, Perm. Financing	\$935,547
Legal Fees, Appraisals	\$49,500
Reserves	\$200,234
Other Costs	\$2,503,415
Developer Fee	\$2,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$21,177,895</b>

**Project Financing**

Estimated Total Project Cost:	\$21,177,895
Estimated Residential Project Cost:	\$21,177,895
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$162
Per Unit Cost:	\$302,541
True Cash Per Unit Cost*:	\$284,113

**Construction Financing**

Source	Amount
JP Morgan Chase	\$12,331,338
Goleta Valley Housing Committee	\$4,097,956
City of Goleta	\$1,900,000
Deferred Interest	\$117,754
Tax Credit Equity	\$936,615

**Permanent Financing**

Source	Amount
JP Morgan Chase	\$4,520,100
Goleta Valley Housing Committee	\$4,097,956
City of Goleta	\$1,900,000
Deferred Interest	\$117,754
Land Donation	\$690,000
GP Equity	\$937
Deferred Developer Fee	\$600,000
Tax Credit Equity	\$9,251,148
<b>TOTAL</b>	<b>\$21,177,895</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$19,709,944
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$25,622,927
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$798,132
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Merritt Community Capital Corporation
Federal Tax Credit Factor:	\$1.15910

Per Regulation Section 10322(h)(9)(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:	\$19,709,944
Actual Eligible Basis:	\$19,709,944
Unadjusted Threshold Basis Limit:	\$23,217,390
Total Adjusted Threshold Basis Limit:	\$31,391,704

**Adjustments to Basis Limit**

- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 18%

**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 3.25% 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:** None

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$798,132</b>	<b>\$0</b>

### **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 fifteen (15) 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 having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.