

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
December 14, 2016**

Valentine Court, located at 280 East Newlove Drive in Santa Maria, requested and is being recommended for a reservation of \$303,091 in annual federal tax credits to finance the acquisition and rehabilitation of 34 units of housing serving seniors with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Peoples' Self-Help Housing Corporation and is located in Senate District 19 and Assembly District 35.

The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

**Project Number** CA-16-977

**Project Name** Valentine Court  
**Site Address:** 280 E. Newlove Drive  
Santa Maria, CA 93454 County: Santa Barbara  
**Census Tract:** 21.030

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$303,091	\$0
Recommended:	\$303,091	\$0

**Applicant Information**

**Applicant:** Peoples' Self Help Housing Corporation  
**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:** National Equity Fund  
**Management Agent:** The Duncan Group

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 5  
 Total # of Units: 35  
 No. & % of Tax Credit Units: 34 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Contract (34 Units - 100%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 34

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: February 14, 2017  
 Credit Enhancement: N/A

**Information**

Housing Type: Seniors  
 Geographic Area: Central Coast Region  
 TCAC Project Analyst: DC Navarrette

**Unit Mix**

8 SRO/Studio Units  
 26 1-Bedroom Units  
 1 2-Bedroom Units  


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 35 Total Units

<b>Unit Type &amp; Number</b>	<b>2016 Rents Targeted % of Area Median Income</b>	<b>2016 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
8 SRO/Studio	50%	50%	\$737
26 1 Bedroom	50%	50%	\$790
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$3,928,000
Construction Costs	\$0
Rehabilitation Costs	\$2,900,874
Construction Contingency	\$290,087
Relocation	\$0
Architectural/Engineering	\$187,623
Const. Interest, Perm. Financing	\$419,433
Legal Fees, Appraisals	\$44,750
Reserves	\$230,000
Other Costs	\$432,263
Developer Fee	\$1,036,819
Commercial Costs	\$0
<b>Total</b>	<b>\$9,469,849</b>

**Project Financing**

Estimated Total Project Cost:	\$9,469,849
Estimated Residential Project Cost:	\$9,469,849
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$148
Per Unit Cost:	\$270,567
True Cash Per Unit Cost*:	\$201,955

**Construction Financing**

Source	Amount
Wells Fargo	\$5,779,953
Seller Carryback Note	\$2,401,414
Accrued/Deferred Interest	\$85,170
Existing Reserves	\$40,000
Deferred Costs	\$760,760
Tax Credit Equity	\$402,552

**Permanent Financing**

Source	Amount
CCRC	\$3,726,100
Seller Carryback Note	\$2,401,414
Accrued/Deferred Interest	\$85,170
Existing Reserves	\$40,000
Tax Credit Equity	\$3,217,164
<b>TOTAL</b>	<b>\$9,469,849</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$4,589,728
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$3,359,222
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,966,646
Qualified Basis (Acquisition):	\$3,359,222
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$193,916
Maximum Annual Federal Credit, Acquisition:	\$109,175
Total Maximum Annual Federal Credit:	\$303,091
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,036,819
Investor/Consultant:	National Equity Fund
Federal Tax Credit Factor:	\$1.06145

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:	\$7,948,950
Actual Eligible Basis:	\$7,948,950
Unadjusted Threshold Basis Limit:	\$8,808,834
Total Adjusted Threshold Basis Limit:	\$17,617,668

**Adjustments to Basis Limit**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 100%

**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 Santa Maria, 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>\$303,091</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 rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.