

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2015 Second Round

September 23, 2015

Ocean View Manor, located at 456 Elena Street in Morro Bay, CA, requested and is being recommended for a reservation of \$193,362 in annual federal tax credits and \$322,671 in total state tax credits to finance the acquisition and rehabilitation of 39 units of housing serving Seniors with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Peoples' Self-Help Housing Corporation and will be located in Senate District 17 and Assembly District 35.

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

Project Number CA-15-890

Project Name Ocean View Manor
Site Address: 456 Elena Street
Morro Bay, CA 93442 County: San Luis Obispo
Census Tract: 10503.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$193,362	\$322,671
Recommended:	\$193,362	\$322,671

Applicant Information

Applicant: Peoples' Self Help Housing Corporation
Contact: Morgen Benevedo
Address: 3533 Empleo Street
San Luis Obispo, CA 93401
Phone: (805) 540-2475 **Fax:** (805) 544-1901
Email: morgenb@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: California Housing Partnership Corporation
Management Agent: The Duncan Group

Project Information

Construction Type: Acquisition and Rehabilitation
 Total # Residential Buildings: 5
 Total # of Units: 40
 No. & % of Tax Credit Units: 39 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Contract (39 units - 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 4 10 %
 45% AMI: 6 15 %
 50% AMI (Rural): 29 50 %

Affordability Breakdown by % (Basis Limit Increase):
 Number of Units @ or below 35% of area median income: 4
 Number of Units @ or below 50% of area median income: 39

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: December 16, 2015
 Credit Enhancement: No

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Mayra Lozano

Unit Mix

9 SRO/Studio Units
 31 1-Bedroom Units

 40 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 SRO/Studio	30%	30%	\$405
3 1 Bedroom	30%	30%	\$433
3 SRO/Studio	45%	45%	\$607
3 1 Bedroom	45%	45%	\$650
5 SRO/Studio	50%	50%	\$675
24 1 Bedroom	50%	50%	\$723
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,367,950
Construction Costs	\$0
Rehabilitation Costs	\$1,415,443
Construction Contingency	\$222,233
Relocation	\$100,000
Architectural/Engineering	\$71,466
Construction Interest & Perm Financing	\$353,064
Legal Fees, Appraisals	\$140,000
Reserves	\$138,471
Other Costs	\$108,757
Developer Fee	\$764,277
Commercial Costs	\$0
Total	\$7,681,661

Project Financing

Estimated Total Project Cost:	\$7,681,661
Estimated Residential Project Cost:	\$7,681,661

Residential

Construction Cost Per Square Foot:	\$64
Per Unit Cost:	\$192,042

Construction Financing

Source	Amount
Wells Fargo Bank	\$4,536,975
Seller Carryback Note	\$2,692,950
Existing Reserves	\$98,382
Deferred Developer Fee	\$256,707
Tax Credit Equity	\$17,824

Permanent Financing

Source	Amount
CCRC Tranche A	\$730,400
CCRC Tranche B	\$1,685,800
City of Morro Bay Loan	\$50,000
Seller Carryback Note	\$2,692,950
Transferred Reserves	\$98,382
Withdrawal from Reserves	\$87,950
Net Operating Income	\$117,500
Deferred Developer Fee	\$256,707
Tax Credit Equity	\$1,961,972
TOTAL	\$7,681,661

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,482,085
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$3,377,373
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$2,482,085
Qualified Basis (Acquisition):	\$3,377,373
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$81,909
Maximum Annual Federal Credit, Acquisition:	\$111,453
Total Maximum Annual Federal Credit:	\$193,362
Total State Credit:	\$322,671
Approved Developer Fee (in Project Cost & Eligible Basis):	\$764,277
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.90620
State Tax Credit Factor:	\$0.64994

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:	\$5,859,458
Actual Eligible Basis:	\$5,859,458
Unadjusted Threshold Basis Limit:	\$9,239,232
Total Adjusted Threshold Basis Limit:	\$19,309,995

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: 89%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

Tie-Breaker Information

Final: N/A

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: 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, City of Morro Bay, 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
\$193,362	\$322,671

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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 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.

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 ten 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)(6) 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.

Additional Conditions: None.

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 ¼ mile of regular bus stop (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
In-unit high speed internet service	3	3	3
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	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 30%	10	10	10
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Total Points	126	126	126

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.