

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2015 Second Round**  
**October 21, 2015**

Creston Garden Apartments, located at 1255 Creston Road in Paso Robles, CA, requested and is being recommended for a reservation of \$1,066,218 in annual federal tax credits and \$3,760,029 in total state tax credits to finance the acquisition and rehabilitation of 59 units of housing serving tenants with rents affordable to households earning 30-60% 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 is currently at-risk, but is being recommended for a reservation of tax credits that will preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

**Project Number** CA-15-095

**Project Name** Creston Garden Apartments  
**Site Address:** 1255 Creston Road  
Paso Robles, CA 93446 County: San Luis Obispo  
**Census Tract:** 102.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,066,218	\$3,760,029
Recommended:	\$1,066,218	\$3,760,029

**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:** Community Economics  
**Management Agent(s):** The Duncan Group

**Project Information**

Construction Type: Acquisition and Rehabilitation  
 Total # Residential Buildings: 15  
 Total # of Units: 60  
 No. & % of Tax Credit Units: 59 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: USDA RHS 515 & USDA RHS 521 Rental Subsidy (48 units - 80%)  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 6 10 %  
 45% AMI: 27 45 %  
 50% AMI: 12 20 %

**Information**

Set-Aside: At-Risk  
 Housing Type: At-Risk  
 Geographic Area: Central Coast Region  
 TCAC Project Analyst: Marisol Parks

**Unit Mix**

51 2-Bedroom Units  
 9 3-Bedroom Units  


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 60 Total Units

<u>Unit Type &amp; 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>
5 2 Bedrooms	30%	30%	\$520
23 2 Bedrooms	45%	45%	\$780
10 2 Bedrooms	50%	50%	\$867
5 2 Bedrooms	60%	52%	\$909
7 2 Bedrooms	60%	60%	\$1,040
1 3 Bedrooms	30%	30%	\$601
3 3 Bedrooms	45%	45%	\$901
1 3 Bedrooms	45%	45%	\$901
2 3 Bedrooms	50%	48%	\$966
2 3 Bedrooms	60%	48%	\$966
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$5,497,000
Construction Costs	\$0
Rehabilitation Costs	\$9,625,735
Construction Contingency	\$844,363
Relocation	\$300,000
Architectural/Engineering	\$150,000
Construction Interest, Perm Financing	\$646,944
Legal Fees, Appraisals	\$37,500
Reserves	\$832,874
Other Costs	\$173,249
Developer Fee	\$1,400,000
Commercial Costs	\$0
<b>Total</b>	<b>\$19,507,664</b>

**Project Financing**

Estimated Total Project Cost:	\$19,507,664
Estimated Residential Project Cost:	\$19,507,664

**Residential**

Construction Cost Per Square Foot:	\$125
Per Unit Cost:	\$325,128

**Construction Financing**

Source	Amount
Wells Fargo Bank	\$10,041,635
USDA RHS 515	\$5,747,500
Income During Operations	\$171,666
GP Equity	\$1,317
Tax Credit Equity	\$1,386,965

**Permanent Financing**

Source	Amount
CCRC	\$571,300
USDA RHS 515	\$5,747,500
Income During Operations	\$171,666
GP Equity	\$1,310
Tax Credit Equity	\$13,015,888
<b>TOTAL</b>	<b>\$19,507,664</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$12,533,411
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$3,102,999
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$12,533,411
Applicable Rate:	7.69%
Qualified Basis (Acquisition):	\$3,102,999
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$963,819
Maximum Annual Federal Credit, Acquisition:	\$102,399
Total Maximum Annual Federal Credit:	\$1,066,218
Total State Credit:	\$3,760,029
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.99153
State Tax Credit Factor:	\$0.65000

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:	\$15,636,411
Actual Eligible Basis:	\$15,636,411
Unadjusted Threshold Basis Limit:	\$16,105,152
Total Adjusted Threshold Basis Limit:	\$16,105,152

**Adjustments to Basis Limit:** None

**Tie-Breaker Information**

First:	<b>At-Risk</b>
Second:	<b>42.070%</b>

**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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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, the City of Paso Robles, 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>\$1,066,218</b>	<b>\$3,760,029</b>

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 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 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

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>13</b>
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ¼ mile of public park or community center open to general public	3	3	0
Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ¼ mile of a pharmacy	2	2	2
In-unit high speed internet service	2	3	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
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
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 30%	10	10	10
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>148</b>	<b>148</b>	<b>146</b>

**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.**