

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 10, 2012**

Project Number CA-12-888

Project Name Villa Santa Fe Apartments II
Site Address: 521 N. La Cumbre Road
Santa Barbara, CA 93110 County: Santa Barbara
Census Tract: 1.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$255,733	\$0
Recommended:	\$255,733	\$0

Applicant Information

Applicant: Villa Santa Fe Apartments LP
Contact: Rob Fredericks
Address: 808 Laguna Street
Santa Barbara, CA 93101
Phone: 805.897.1051 Fax: 805.564.7041
Email: rfredericks@hacsb.org

General partner(s) or principal owner(s): Villa Santa Fe MGP, LLC
2nd Story SB Development 1 LLC
General Partner Type: Nonprofit
Developer: Housing Authority of the City of Santa Barbara
Investor/Consultant: Alliant Capital, LTD
Management Agent: Housing Authority of the City of Santa Barbara

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 15
Total # of Units: 60
No. & % of Tax Credit Units: 53 89.83%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD/FHA 223(f) Loan
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 12
Number of Units @ or below 60% of area median income: 41

Bond Information

Issuer: Housing Authority of the City of Santa Barbara
Expected Date of Issuance: November 1, 2012
Credit Enhancement: None

Information

Housing Type: Seniors
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

60 1-Bedroom Units
 60 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
12 1 Bedroom	50%	50%	\$712
41 1 Bedroom	60%	60%	\$854
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
6 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,150

Project Financing

Estimated Total Project Cost: \$12,598,385
 Estimated Residential Project Cost: \$12,598,385

Residential

Construction Cost Per Square Foot: \$33
 Per Unit Cost: \$209,973

Construction Financing

<u>Source</u>	<u>Amount</u>
Citi/Tax-exempt Bond	\$5,930,000
HASB/ Housing Authority Loan	\$4,657,305
HASB/ Deferred Interest	\$257,085
NOI from Operations	\$329,076
Deferred Developer Fee	\$1,003,770
Tax Credit Equity	\$421,149

Permanent Financing

<u>Source</u>	<u>Amount</u>
Bellwether Enterprise/HUD 223(f) Loan	\$4,840,233
HASB/ Housing Authority Loan	\$4,339,689
HASB/ Deferred Interest	\$271,125
NOI from Operations	\$329,076
Deferred Developer Fee	\$10,594
Tax Credit Equity	\$2,807,668
TOTAL	\$12,598,385

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$1,886,657
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,444,600
Applicable Fraction:	89.83%
Qualified Basis (Rehabilitation):	\$2,203,231
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$5,789,217
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$70,479
Maximum Annual Federal Credit, Acquisition:	\$185,254
Total Maximum Annual Federal Credit:	\$255,733
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,086,686
Investor/Consultant:	Alliant Capital, LTD
Federal Tax Credit Factor:	\$1.09789

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:	\$8,331,257
Actual Eligible Basis:	\$8,331,257
Unadjusted Threshold Basis Limit:	\$14,524,080
Total Adjusted Threshold Basis Limit:	\$17,428,896

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: 22%

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 3.20% 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, City of Santa Barbara, 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
\$255,733	\$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: None