

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 16, 2014

Project Number CA-14-869

Project Name Sandpiper Apartments
 Site Address: 370-390 Mathilda Drive & 355-375 Ellwood Beach Drive
 Goleta, CA 93117 County: Santa Barbara
 Census Tract: 29.300

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$394,753	\$0
Recommended:	\$394,753	\$0

Applicant Information

Applicant: Housing Authority of the County of Santa Barbara
 Contact: Robert Havlicek
 Address: 815 West Ocean Avenue
 Lompoc, CA 93436
 Phone: (805) 736-3423 Fax: (805) 735-7672
 Email: bobhavlicek@hasbarco.org

General Partner(s) or Principal Owner(s): Housing Authority of the County of Santa Barbara
 Surf Development Company
 General Partner Type: Nonprofit
 Parent Company(ies): Housing Authority of the County of Santa Barbara
 Surf Development Company
 Developer: Housing Authority of the County of Santa Barbara
 Investor: RBC Tax Credit Equity, LLC
 Management Agent: Housing Authority of the County of Santa Barbara

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 3
 Total # of Units: 68
 No. & % of Tax Credit Units: 67 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Vouchers (17 Units - 25%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 7
 Number of Units @ or below 60% of area median income: 60

Bond Information

Issuer: Housing Authority of the County of Santa Barbara
 Expected Date of Issuance: August 15, 2014
 Credit Enhancement: None

Information

Housing Type: Non-Targeted
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

44 SRO/Studio Units
 24 1-Bedroom Units

 68 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 SRO/Studio	50%	50%	\$662
39 SRO/Studio	60%	60%	\$795
2 1 Bedroom	50%	50%	\$710
21 1 Bedroom	60%	60%	\$852
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$12,918,560
 Estimated Residential Project Cost: \$12,918,560

Residential

Construction Cost Per Square Foot: \$57
 Per Unit Cost: \$189,979

Construction Financing

<u>Source</u>	<u>Amount</u>
US Bank - Tax-Exempt Bonds	\$5,802,716
Seller Carryback Note	\$4,099,458
Existing Reserves	\$281,000
Costs Deferred Until Conversion	\$303,411
Developer Equity	\$293,169
Deferred Developer Fee	\$1,474,501
Tax Credit Equity	\$664,307

Permanent Financing

<u>Source</u>	<u>Amount</u>
CCRC - Tax-Exempt Bonds	\$3,620,000
Seller Carryback Note	\$4,099,458
Existing Reserves	\$281,000
Developer Equity	\$293,169
Deferred Developer Fee	\$737,249
Tax Credit Equity	\$3,887,684
TOTAL	\$12,918,560

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,500,115
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$8,498,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,250,150
Qualified Basis (Acquisition):	\$8,498,500
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$109,204
Maximum Annual Federal Credit, Acquisition:	\$285,549
Total Maximum Annual Federal Credit:	\$394,753
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,474,501
Investor/Consultant:	RBC Tax Credit Equity, LLC
Federal Tax Credit Factor:	\$0.98484

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:	\$10,998,615
Actual Eligible Basis:	\$11,304,505
Unadjusted Threshold Basis Limit:	\$13,686,872
Total Adjusted Threshold Basis Limit:	\$16,424,246

Adjustments to Basis Limit:

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

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 3.36% 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 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$394,753	\$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