

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2017 Second Round**

**September 20, 2017**

Bishop Street Studios, located at 1600 Bishop Street in San Luis Obispo, requested and is being recommended for a reservation of \$473,256 in annual federal tax credits to finance the new construction of 33 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by San Luis Obispo Nonprofit 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 Vouchers.

**Project Number** CA-17-078

**Project Name** Bishop Street Studios  
**Site Address:** 1600 Bishop Street  
San Luis Obispo, CA 93401 County: San Luis Obispo  
**Census Tract:** 110.020

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$473,256	\$0
Recommended:	\$473,256	\$0

**Applicant Information**

**Applicant:** Bishop Street Studios LP  
**Contact:** Scott Smith  
**Address:** 487 Leff Street  
San Luis Obispo, CA 93401  
**Phone:** 805-594-5323 **Fax:** 805-543-4992  
**Email:** ssmith@haslo.org

**General Partner(s) / Principal Owner(s):** San Luis Obispo Nonprofit Housing Corporation  
Transitions-Mental Health Association  
**General Partner Type:** Nonprofit  
**Parent Company(ies):** San Luis Obispo Nonprofit Housing Corporation  
Transitions-Mental Health Association  
**Developer:** San Luis Obispo Nonprofit Housing Corporation  
**Investor/Consultant:** California Housing Partnership Corporation  
**Management Agent(s):** Housing Authority San Luis Obispo

**Project Information**

Construction Type: New Construction / Adaptive Reuse  
 Total # Residential Buildings: 4  
 Total # of Units: 34  
 No. & % of Tax Credit Units: 33 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HOME / CDBG  
 HUD Section 8 Project-based Vouchers (8 units - 24%)  
 Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 4 10 %  
 40% AMI: 25 75 %  
 50% AMI: 4 10 %

**Information**

Set-Aside: N/A  
 Housing Type: Special Needs  
 Type of Special Needs: Persons with physical, mental, development disabilities  
 % of Special Need Units: 100%  
 Geographic Area: Central Coast Region  
 TCAC Project Analyst: Carmen Doonan

**Unit Mix**

8 SRO/Studio Units  
 26 1-Bedroom Units  


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 34 Total Units

<u>Unit Type &amp; Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 SRO/Studio	30%	30%	\$429
2 SRO/Studio	40%	40%	\$572
5 SRO/Studio	40%	40%	\$572
3 1 Bedroom	30%	30%	\$459
16 1 Bedroom	40%	40%	\$613
2 1 Bedroom	40%	40%	\$613
4 1 Bedroom	50%	50%	\$766
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$19,262,760

**Project Cost Summary at Application**

Land and Acquisition	\$1,462,405
Construction Costs	\$5,125,297
Rehabilitation Costs	\$1,541,168
Construction Contingency	\$346,619
Relocation	\$0
Architectural/Engineering	\$557,990
Const. Interest, Perm. Financing	\$464,759
Legal Fees, Appraisals	\$48,000
Reserves	\$125,090
Other Costs	\$1,286,328
Developer Fee	\$1,200,267
Commercial Costs	\$0
<b>Total</b>	<b>\$12,157,923</b>

**Project Financing**

Estimated Total Project Cost:	\$12,157,923
Estimated Residential Project Cost:	\$12,157,923
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$448
Per Unit Cost:	\$357,586
True Cash Per Unit Cost*:	\$341,880

**Construction Financing**

Source	Amount
Citibank	\$4,373,146
HASLO** Land Donation	\$534,000
HASLO** Loan	\$2,626,000
HASLO** Deferred Interest	\$98,344
SLO City Loan	\$1,395,500
SLO City Deferred Interest	\$52,197
SLO County - CDBG / HOME	\$858,398
SLO County Deferred Interest	\$26,880
SLO Housing Trust Fund	\$340,000
AHP	\$660,000
Deferred Costs	\$865,250
Tax Credit Equity	\$328,208

**Permanent Financing**

Source	Amount
Citibank - Tranche A	\$395,290
Citibank -Tranche B	\$584,230
HASLO** Land Donation	\$534,000
HASLO** Loan	\$2,626,000
HASLO** Deferred Interest	\$98,344
SLO City Loan	\$1,395,500
SLO City Deferred Interest	\$52,197
SLO County - CDBG / HOME	\$858,398
SLO County Deferred Interest	\$26,880
SLO Housing Trust Fund	\$340,000
AHP	\$660,000
Tax Credit Equity	\$4,587,084
<b>TOTAL</b>	<b>\$12,157,923</b>

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

\*\*Housing Authority of San Luis Obispo

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$4,044,920
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$5,258,396
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$473,256
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,267
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.96926

Per Regulation Section 10327(c)(6), 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, except that the adjustment factor related to costs described in Section 10327(c)(2)(A) shall be recalculated at placed in service where applicable.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$4,044,920
Actual Eligible Basis:	\$10,616,295
Unadjusted Threshold Basis Limit:	\$7,252,460
Total Adjusted Threshold Basis Limit:	\$9,229,994

**Adjustments to Basis Limit**

100% of Units for Special Needs Population

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

- New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

Seismic Upgrading

Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>Special Needs</b>
Final:	<b>74.542%</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 meet 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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. 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**

This project is a new construction and adaptive re-use of an existing Sunny Acres vacant building constructed in 1931, formerly a juvenile facility.

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

**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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**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>\$473,256</b>	<b>\$0</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 fifteen 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:** N/A.

<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>15</b>
Within ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within ¾ mile of public park or community center open to general public	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>SPECIAL NEEDS AND SRO HOUSING TYPES</b>			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>NEW CONSTRUCTION/ADAPTIVE REUSE</b>			
Develop project in accordance w/ requirements of:LEED	5	5	5
<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>15</b>	<b>15</b>	<b>15</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>138</b>	<b>138</b>	<b>138</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.**