

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 10, 2012

Project Number CA-12-887

Project Name Villa Santa Fe Apartments I
 Site Address: 418 Santa Fe Place (also known as 1334 Cliff Drive)
 Santa Barbara, CA 93019 County: Santa Barbara
 Census Tract: 12.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$566,623	\$0
Recommended:	\$566,623	\$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: 27
 Total # of Units: 107
 No. & % of Tax Credit Units: 102 96.23%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD/FHA 223(f) /
 HUD Project-Based Section 8 Vouchers (106 units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 11
 Number of Units @ or below 60% of area median income: 91

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

106 1-Bedroom Units
1 2-Bedroom Units
 107 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>
75 1 Bedroom	60%	60%	\$854
16 1 Bedroom	60%	60%	\$854
11 1 Bedroom	50%	50%	\$712
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
4 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,150

Project Financing

Estimated Total Project Cost: \$26,725,676
 Estimated Residential Project Cost: \$26,725,676

Residential

Construction Cost Per Square Foot: \$60
 Per Unit Cost: \$249,773

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citi/Tax-exempt Bond	\$13,070,000	Bellwether Enterprise/HUD 223(f) Loan	\$13,159,767
HASB/ Housing Authority Loan	\$9,157,111	HASB/ Housing Authority Loan	\$5,960,311
HASB/ Deferred Interest	\$607,589	HASB/ Deferred Interest	\$372,375
NOI from Operations	\$989,405	NOI from Operations	\$989,405
Deferred Developer Fee	\$1,968,436	Deferred Developer Fee	\$22,920
Tax Credit Equity	\$933,135	Tax Credit Equity	\$6,220,898
		TOTAL	\$26,725,676

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,485,657
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$11,270,000
Applicable Fraction:	96.23%
Qualified Basis (Rehabilitation):	\$6,862,247
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$10,844,717
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$219,592
Maximum Annual Federal Credit, Acquisition:	\$347,031
Total Maximum Annual Federal Credit:	\$566,623
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,185,520
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:	\$16,755,657
Actual Eligible Basis:	\$16,755,657
Unadjusted Threshold Basis Limit:	\$25,951,208
Total Adjusted Threshold Basis Limit:	\$28,546,329

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: 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 3.20% 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: The applicant’s estimate of the 3-month operating reserve shown in the application development budget is slightly below TCAC’s minimum. At placed-in-service review, the applicant is cautioned that the 3-month operating reserve must meet the TCAC required minimum.

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
\$566,623	\$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