

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 16, 2015

Sycamore Gardens, located at 211-221 Sycamore Lane in Santa Barbara, requested and is being recommended for a reservation of \$396,836 in annual federal tax credits to finance the acquisition and rehabilitation of 18 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Housing Authority of the City of Santa Barbara and is located in Senate District 19 and Assembly District 37.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-15-944

Project Name Sycamore Gardens
 Site Address: 211-221 Sycamore Lane
 Santa Barbara, CA 93103 County: Santa Barbara
 Census Tract: 8.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$396,836	\$0
Recommended:	\$396,836	\$0

Applicant Information

Applicant: SB Housing Partnership IV, LP
 Contact: Rob Fredericks
 Address: 808 Laguna St.
 Santa Barbara, CA 93101
 Phone: (805) 897-1051
 Email: rfredericks@hacsb.org

General Partner(s) or Principal Owner(s): Garden Court Inc.
 2nd Story Associates

General Partner Type: Nonprofit
 Parent Company(ies): Garden Court Inc.
 2nd Story Associates

Developer: Housing Authority of the City of Santa Barbara
 Investor/Consultant: Union Bank
 Management Agent: Housing Authority of the City of Santa Barbara

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 10
 Total # of Units: 20
 No. & % of Tax Credit Units: 18 94.74%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD RAD Section 8 Project-based Contract
 (19 units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 4
 Number of Units @ or below 60% of area median income: 14

Bond Information

Issuer: Housing Authority of the City of Santa Barbara
 Expected Date of Issuance: March 15, 2016
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Zhuo Chen

Unit Mix

20 3-Bedroom Units
 20 Total Units

<u>Unit Type & 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>
4 3 Bedrooms	50%	49%	\$1,021
14 3 Bedrooms	60%	49%	\$1,021
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$877
1 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$877

Project Cost Summary at Application

Land and Acquisition	\$6,500,000
Construction Costs	\$0
Rehabilitation Costs	\$4,524,073
Construction Contingency	\$0
Relocation	\$201,800
Architectural/Engineering	\$296,214
Construction Interest, Perm Financing	\$502,857
Legal Fees, Appraisals	\$137,257
Reserves	\$54,000
Other Costs	\$98,793
Developer Fee	\$1,419,846
Commercial Costs	\$0
Total	\$13,734,840

Project Financing

Estimated Total Project Cost:	\$13,734,840
Estimated Residential Project Cost:	\$13,734,840

Residential

Construction Cost Per Square Foot:	\$208
Per Unit Cost:	\$686,742

Construction Financing

Source	Amount
Union Bank	\$5,650,000
HACSB* Loan	\$4,079,569
Deferred Interest	\$212,450
Land Lease	\$2,295,000
Net Operating Income	\$72,988
Deferred Developer Fee	\$1,339,845
Tax Credit Equity	\$84,988

Permanent Financing

Source	Amount
CCRC	\$1,146,000
HACSB* Loan	\$5,492,775
Deferred Interest	\$212,450
Land Lease	\$2,295,000
Net Operating Income	\$72,988
Deferred Developer Fee	\$30
Tax Credit Equity	\$4,515,597
TOTAL	\$13,734,840

*Housing Authority of the City of Santa Barbara

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,026,404
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$4,859,079
Applicable Fraction:	94.74%
Qualified Basis (Rehabilitation):	\$7,421,992
Qualified Basis (Acquisition):	\$4,603,338
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$244,926
Maximum Annual Federal Credit, Acquisition:	\$151,910
Total Maximum Annual Federal Credit:	\$396,836
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,419,846
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	\$1.13790

Per Regulation Section 10322(h)(9)(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:	\$10,885,483
Actual Eligible Basis:	\$10,885,483
Unadjusted Threshold Basis Limit:	\$7,843,840
Total Adjusted Threshold Basis Limit:	\$11,059,814

Adjustments to Basis Limit

Required to Pay Prevailing Wages per HUD RAD Section 8 Project-based Contract
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 21%

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 3.30% 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 contractor profit, overhead and general requirement costs exceeds TCAC limit of 14% based on the specific line item costs. However, the estimated costs are within the limits if the hard cost contingency is included in the calculation. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

Local Reviewing Agency

The Local Reviewing Agency, the 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 contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$396,836	\$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.