

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**March 16, 2016**

Positano Apartments, located at 11 Camino De Vida in Santa Barbara, requested and is being recommended for a reservation of \$1,296,866 in annual federal tax credits to finance the acquisition and rehabilitation of 116 units of housing serving large families with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Housing Authority of the County of Santa Barbara and is located in Senate District 19 and Assembly District 37.

Positano Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Positano Apartments (CA-96-211). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

**Project Number** CA-16-803

**Project Name** Positano Apartments  
**Site Address:** 11 Camino De Vida  
Santa Barbara, CA 93111 County: Santa Barbara  
**Census Tract:** 30.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,296,866	\$0
Recommended:	\$1,296,866	\$0

**Applicant Information**

**Applicant:** Positano Apartments, L.P.  
**Contact:** Robert P. Havlicek Jr.  
**Address:** 815 West Ocean Ave.  
Lompoc, CA 93436  
**Phone:** (805)736-3423 **Fax:** (805)735-7672  
**Email:** bobhavlicek@hasborco.org

**General Partner(s) or Principal Owner(s):** Housing Authority of the County of Santa Barbara  
Surf Development

**General Partner Type:** Nonprofit

**Parent Company(ies):** Housing Authority of the County of Santa Barbara  
Surf Development

**Developer:** Housing Authority of the County of Santa Barbara

**Investor/Consultant:** MUFG Union Bank, N.A.

**Management Agent:** Housing Authority of the County of Santa Barbara

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 12  
 Total # of Units: 118  
 No. & % of Tax Credit Units: 116 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / CDBG  
 HUD Section 8 Project-based Vouchers (65 units - 56%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 116

**Bond Information**

Issuer: Housing Authority of the County of Santa Barbara  
 Expected Date of Issuance: March 16, 2016  
 Credit Enhancement: Berkley Point Capital

**Information**

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

**Unit Mix**

30 1-Bedroom Units  
 42 2-Bedroom Units  
46 3-Bedroom Units  
 118 Total Units

<u>Unit Type &amp; 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>
30 1 Bedroom	46%	46%	\$690
41 2 Bedrooms	46%	46%	\$828
45 3 Bedrooms	46%	46%	\$957
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$22,640,000
Construction Costs	\$0
Rehabilitation Costs	\$7,779,200
Construction Contingency	\$772,920
Relocation	\$780,000
Architectural/Engineering	\$100,000
Construction Interest, Perm Financing	\$1,360,790
Legal Fees, Appraisals	\$120,000
Reserves	\$945,712
Other Costs	\$587,529
Developer Fee	\$4,671,690
Commercial Costs	\$0
<b>Total</b>	<b>\$39,757,841</b>

**Project Financing**

Estimated Total Project Cost:	\$39,757,841
Estimated Residential Project Cost:	\$39,757,841

**Residential**

Construction Cost Per Square Foot:	\$78
Per Unit Cost:	\$336,931

**Construction Financing**

Source	Amount
Berkeley Point Capital - TE Bonds	\$16,286,000
HACSB* Loan	\$9,191,720
HACSB* - CDBG	\$1,571,763
Deferred Interest	\$114,000
HACSB* GP Contribution	\$1,178,515
Net Operating Income	\$619,171
Deferred Developer Fee	\$4,016,691
Tax Credit Equity	\$6,779,981

**Permanent Financing**

Source	Amount
Berkeley Point Capital - TE Bonds	\$16,286,000
HACSB* Loan	\$4,521,485
HACSB* - CDBG	\$1,571,763
Deferred Interest	\$114,000
HACSB* GP Contribution	\$1,178,515
Net Operating Income	\$619,171
Deferred Developer Fee	\$2,051,693
Tax Credit Equity	\$13,415,214
<b>TOTAL</b>	<b>\$39,757,841</b>

\*Housing Authority of the County of Santa Barbara

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$11,608,801
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$24,207,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$15,091,441
Qualified Basis (Acquisition):	\$24,207,500
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$498,018
Maximum Annual Federal Credit, Acquisition:	\$798,848
Total Maximum Annual Federal Credit:	\$1,296,866
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,671,690
Investor/Consultant:	MUFG Union Bank, N.A.
Federal Tax Credit Factor:	\$1.03443

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:	\$35,816,301
Actual Eligible Basis:	\$35,816,301
Unadjusted Threshold Basis Limit:	\$38,529,812
Total Adjusted Threshold Basis Limit:	\$77,059,624

**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: 100%

**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**

To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreement expires December 31, 2052. The existing regulatory agreement income targeting is 117 units at or below 45.9% AMI.

The project is a re-syndication occurring concurrently with a Transfer Event, and is otherwise required to set aside a Short Term Work Capitalized Replacement Reserve in the amount of \$1,178,515. In lieu of a Short Term Work Capitalized Reserve, the applicant is allowed to use the Short Term Work Reserve Amount to fund rehabilitation expenses. The applicant received eligible basis for the rehabilitation work performed using the Short Term Work Reserve Amount because it is being funded by general partner equity contribution equaling the same amount.

**Local Reviewing Agency**

The Local Reviewing Agency, the County of Santa Barbara - HCD, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,296,866</b>	<b>\$0</b>

**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