

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

May 16, 2018

REVISED

The Residences at Depot Street, located at 301 North Depot Street in Santa Maria, requested and is being recommended for a reservation of \$1,384,768 in annual federal tax credits to finance the new construction of 78 units of housing serving special needs tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Housing Authority of the County of Santa Barbara and will be located in Senate District 19 and Assembly District 35.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and VASH Vouchers. The project financing includes funding from the MHSA program administered by the County of Santa Barbara, Department of Behavioral Wellness.

Project Number	CA-18-745
Project Name	The Residences at Depot Street
Site Address:	301 North Depot Street
	Santa Maria, CA 93458
	County: Santa Barbara
Census Tract:	23.04

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,384,768	\$0
Recommended:	\$1,384,768	\$0

Applicant Information

Applicant:	The Residences at Depot Street, L.P.
Contact:	Robert P. Havlicek Jr.
Address:	815 West Ocean Avenue
	Lompoc, CA 93436
Phone:	(805) 736-3423
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/Consultant:	Hudson Housing Capital
Management Agent:	Housing Authority of the County of Santa Barbara

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 80
 No. / % of Low Income Units: 78 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Vouchers (90% / 70 units) and HUD Project-based VASH Vouchers (10% / 8 units) / HOME

Bond Information

Issuer: Housing Authority of the County of Santa Barbara
 Expected Date of Issuance: September 1, 2018

Information

Housing Type: Special Needs
 Geographic Area: Central Coast Region: Santa Barbara County
 TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 50% AMI: 8	10%
At or Below 60% AMI: 70	90%

Unit Mix

6 SRO/Studio Units
32 1-Bedroom Units
36 2-Bedroom Units
6 3-Bedroom Units
80 Total Units

Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6 SRO/Studio	60%	59%	\$925
3 1 Bedroom	50%	50%	\$843
29 1 Bedroom	60%	60%	\$1,012
4 2 Bedrooms	50%	50%	\$1,012
22 2 Bedrooms	60%	60%	\$1,215
8 2 Bedrooms	60%	60%	\$1,215
1 3 Bedrooms	50%	50%	\$1,170
5 3 Bedrooms	60%	60%	\$1,404
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$23,581,140

Project Cost Summary at Application

Land and Acquisition	\$1,031,410
Construction Costs	\$22,418,006
Rehabilitation Costs	\$0
Construction Contingency	\$1,115,000
Relocation	\$0
Architectural/Engineering	\$1,200,000
Const. Interest, Perm. Financing	\$1,766,200
Legal Fees, Appraisals	\$120,000
Reserves	\$653,536
Other Costs	\$2,550,828
Developer Fee	\$4,248,928
Commercial Costs	\$0
Total	\$35,103,908

Residential

Construction Cost Per Square Foot:	\$276
Per Unit Cost:	\$438,799
True Cash Per Unit Cost*:	\$385,438

Construction Financing

Source	Amount
MUFG Union Bank, N.A.	\$22,500,000
HACSB Carryback Note	\$1,000,000
HACSB GAP Loan 1	\$500,000
Santa Barbara County DBW-MHSA	\$2,380,938
Santa Barbara County-HOME/In-Lieu	\$2,387,095
Deferred Developer Fee	\$3,705,079
Tax Credit Equity	\$2,630,796

Permanent Financing

Source	Amount
Walker & Dunlop-Tranche A Loan	\$5,100,000
Walker & Dunlop-Tranche B Loan	\$7,000,000
HACSB Carryback Note	\$1,000,000
HACSB GAP Loan I	\$500,000
Santa Barbara County DBW - MHSA	\$2,380,938
Santa Barbara County-HOME/In-Lieu	\$2,387,095
Deferred Developer Fee	\$3,268,875
General Partner Equity	\$49,421
Solar Tax Credit Equity	\$263,599
Tax Credit Equity	\$13,153,980
TOTAL	\$35,103,908

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$32,575,122
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$42,347,659
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$1,384,768
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,248,928
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	\$0.94991

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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$32,575,122
Actual Eligible Basis:	\$32,575,122
Unadjusted Threshold Basis Limit:	\$26,291,354
Total Adjusted Threshold Basis Limit:	\$34,178,760

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate 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 3.27% 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.

Significant Information / Additional Conditions

The project will provide affordable housing for families with special needs including veterans, formerly homeless individuals and families, and other special needs tenants. 35 of the units are under the MHSA program and 5 units are under the Good Samaritan Shelter program for a total of 40 affordable units (51%) serving special needs tenants/households. The applicant anticipates that the balance of the affordable units (38 units) will also end up serving homeless individuals and families. In addition, the tenants will receive services.

Local Reviewing Agency

The Local Reviewing Agency, the City of Santa Maria, has completed a site review of this project and strongly supports this project.

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.

CDLAC Additional Conditions: None.