

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report Tax-Exempt Bond Project May 16, 2018

Courtyard at the Meadows, located at 3175 Violet Street in San Luis Obispo, requested and is being recommended for a reservation of \$517,066 in annual federal tax credits to finance the new construction of 35 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 San Luis Obispo Non-profit 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-18-756	
Project Name	Courtyard at the Meadows	
Site Address:	3175 Violet Street	
	San Luis Obispo, CA 93410	County: San Luis Obispo
Census Tract:	111.03	

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$517,066	\$0
Recommended:	\$517,066	\$0

Applicant Information

Applicant:	San Luis Non-profit Housing Corporation
Contact:	Scott Smith
Address:	487 Leff Street
	San Luis Obispo, CA 93410
Phone:	805-594-5323
Email:	ssmith@haslo.org

General Partner(s) or Principal Owner(s):	San Luis Obispo Non-profit Housing Corporation
General Partner Type:	Nonprofit
Parent Company(ies):	Housing Authority of San Luis Obispo
Developer:	San Luis Obispo Non-profit Housing Corporation
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	Housing Authority of San Luis Obispo

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 4
 Total # of Units: 36
 No. / % of Low Income Units: 35 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / CDBG /
 HUD Section 8 Project-based Vouchers (8 units - 21%)

Bond Information

Issuer: Housing Authority San Luis Obispo
 Expected Date of Issuance: November 15, 2018

Information

Housing Type: Large Family
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 50% AMI: 4	11%
At or Below 60% AMI: 31	89%

Unit Mix

9 1-Bedroom Units
18 2-Bedroom Units
9 3-Bedroom Units
36 Total Units

Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2 1 Bedroom	50%	50%	\$766
7 1 Bedroom	60%	60%	\$919
1 2 Bedrooms	50%	50%	\$920
2 2 Bedrooms	60%	60%	\$1,104
14 2 Bedrooms	60%	60%	\$1,104
1 3 Bedrooms	50%	50%	\$1,062
2 3 Bedrooms	60%	60%	\$1,275
6 3 Bedrooms	60%	60%	\$1,275
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$28,265,160

Project Cost Summary at Application

Land and Acquisition	\$1,440,000
Construction Costs	\$7,954,241
Rehabilitation Costs	\$0
Construction Contingency	\$397,712
Relocation	\$0
Architectural/Engineering	\$277,553
Const. Interest, Perm. Financing	\$701,748
Legal Fees, Appraisals	\$59,000
Reserves	\$223,045
Other Costs	\$1,515,271
Developer Fee	\$1,586,529
Commercial Costs	\$0
Total	\$14,155,099

Residential

Construction Cost Per Square Foot:	\$251
Per Unit Cost:	\$393,197
True Cash Per Unit Cost*:	\$360,130

Construction Financing

Source	Amount
Pacific Western Bank	\$8,405,388
County of San Luis Obispo ¹	\$592,500
Deferred Interest	\$19,010
City of San Luis Obispo ²	\$1,926,762
Deferred Interest	\$61,823
HASLO ³	\$1,440,000
Deferred Interest	\$46,167
Deferred Costs	\$158,442
Deferred Developer Fee	\$1,190,424
Tax Credit Equity	\$314,583

Permanent Financing

Source	Amount
Pacific Western Bank	\$4,096,829
County of San Luis Obispo ¹	\$592,500
Accrued/Deferred Interest-County	\$19,010
City of San Luis Obispo ²	\$1,926,762
Accrued/Deferred Interest	\$61,823
HASLO ³	\$1,440,000
Deferred Interest	\$46,167
Deferred Developer Fee	\$1,190,424
Tax Credit Equity	\$4,781,584
TOTAL	\$14,155,099

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

¹CDBG and HOME

²AHF and CDBG

³Housing Authority of San Luis Obispo

Determination of Credit Amount(s)

Requested Eligible Basis:	\$12,163,389
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$15,812,406
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$517,066
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,586,529
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.92475

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:	\$12,163,389
Actual Eligible Basis:	\$12,163,389
Unadjusted Threshold Basis Limit:	\$13,046,895
Total Adjusted Threshold Basis Limit:	\$15,597,551

Adjustments to Basis Limit

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 11%

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 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: None.

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.

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

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- After school program on-site for a minimum of 10 hours per week

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under GreenPoint Rated Multifamily Guidelines
- The project commits to irrigate only with reclaimed water, greywater, or rainwater (excluding community gardens)