

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2018 First Round
June 13, 2018

Johnson Court, located at 813 E. Carrillo Street in Santa Barbara, requested and is being recommended for a reservation of \$607,708 in annual federal tax credits to finance the new construction of 16 units of housing serving special needs tenants with rents affordable to households earning 30%-50% of area median income (AMI). The project will be developed by Santa Barbara Affordable Housing Group and will be 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 Vouchers.

Project Number CA-18-034

Project Name Johnson Court
Site Address: 813 E. Carrillo Street
 Santa Barbara, CA 93103 County: Santa Barbara
Census Tract: 0006.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$607,708	\$0
Recommended:	\$607,708	\$0

Applicant Information

Applicant: 813 East Carrillo Street, L.P.
Contact: Rob Fredericks
Address: 808 Laguna St.
 Santa Barbara, CA 93103
Phone: (805) 897-1051
Email: rfredericks@hacsb.org

General Partner(s) / Principal Owner(s): Garden Court, Inc.
 Hearthstone Housing Foundation
 2nd Story Associates

General Partner Type: Nonprofit

Parent Company(ies): Housing Authority of the City of Santa Barbara
 Hearthstone Housing Foundation
 Housing Authority of the City of Santa Barbara

Developer: Santa Barbara Affordable Housing Group

Investor/Consultant: Redstone Equity Partners

Management Agent(s): Housing Authority of the City of Santa Barbara

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 17
 No. & % of Tax Credit Units: 16 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-Based Vouchers (16 Units - 100%)

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless/formerly homeless and persons with physical, mental, and development disabilities
 Average Targeted Affordability of Special Needs/SRO Project Units: 40%
 % of Special Need Units: 13 units 81%
 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 30% AMI: 2	10%
At or Below 40% AMI: 6	35%
At or Below 50% AMI: 2	10%
At or Below 60% AMI: 6	35%

Unit Mix

16 SRO/Studio Units
 1 2-Bedroom Units

 17 Total Units

Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2 SRO/Studio	30%	30%	\$472
12 SRO/Studio	40%	40%	\$630
2 SRO/Studio	50%	50%	\$787
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$8,924,520

Project Cost Summary at Application

Land and Acquisition	\$1,823,771
Construction Costs	\$5,245,896
Rehabilitation Costs	\$0
Construction Contingency	\$509,968
Relocation	\$0
Architectural/Engineering	\$300,000
Const. Interest, Perm. Financing	\$392,200
Legal Fees, Appraisals	\$110,000
Reserves	\$531,322
Other Costs	\$274,241
Developer Fee	\$702,130
Commercial Costs	\$0
Total	\$9,889,528

Residential

Construction Cost Per Square Foot:	\$751
Per Unit Cost:	\$581,737
True Cash Per Unit Cost*:	\$511,398

Construction Financing

<u>Source</u>	<u>Amount</u>
Union Bank	\$5,100,000
California Lutheran Homes	\$500,000
HACSB ¹ - Donation Value	\$720,000
City of Santa Barbara	\$2,000,000
City of Santa Barbara ²	\$25,703
Deferred Developer Fee	\$450,060
Tax Credit Equity	\$1,093,765

Permanent Financing

<u>Source</u>	<u>Amount</u>
CCRC -Tranche B Loan	\$1,175,000
California Lutheran Homes	\$500,000
HACSB ¹ - Donation Value	\$720,000
City of Santa Barbara	\$2,000,000
City of Santa Barbara ²	\$25,703
Tax Credit Equity	\$5,468,825
TOTAL	\$9,889,528

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

¹Housing Authority of the City of Santa Barbara

²Santa Barbara Unified School District Assessment Fees

Determination of Credit Amount(s)

Requested Eligible Basis:	\$5,194,088
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$6,752,314
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$607,708
Approved Developer Fee (in Project Cost & Eligible Basis):	\$702,130
Investor/Consultant:	Redstone Equity Partners
Federal Tax Credit Factor:	\$0.89991

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$5,194,088
Actual Eligible Basis:	\$7,318,385
Unadjusted Threshold Basis Limit:	\$3,891,248
Total Adjusted Threshold Basis Limit:	\$5,836,873

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

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.
- Use no irrigation at all, irrigate only with reclaimed water, greywater, or rainwater (excepting water used for Community Gardens) or irrigate with reclaimed water, grey water, or rainwater in an amount that annually equals or exceeds 20,000 gallons or 300 gallons per unit, whichever is less.
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used.
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all common areas where no VOC adhesives or backing is also used.

95% of Upper Floor Units are Elevator-Serviced

Highest or High Resource Opportunity Area

Tie-Breaker Information

First:	Special Needs
Final:	55.167%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.25%. 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 serve 81% special needs tenants. 8 units are reserved for homeless/formerly homeless, 5 units are reserved for persons with physical, mental, and/or developmental disabilities, and 3 units are reserved for veterans.

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

Resyndication and Resyndication Transfer Event: None.

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

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.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ½ mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Energy efficiency beyond CA Building Code Title 24 requirements: 12%	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	113	113	113

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.