

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2018 Second Round**

**September 19, 2018**

Halcyon Collective, located at 224 South Halcyon Road in Arroyo Grande, requested \$475,271 in annual federal tax credits to finance the new construction of 19 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by San Luis Obispo Nonprofit Housing Corporation and will be located in Senate District 17 and Assembly District 35.

**Project Number** CA-18-062

**Project Name** Halcyon Collective  
Site Address: 224 South Halcyon Road  
Arroyo Grande, CA 93420 County: San Luis Obispo  
Census Tract: 119.020

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$475,271	\$0
Recommended:	\$475,271	\$0

**Applicant Information**

Applicant: Halcyon Collective, LP  
Contact: Scott Smith  
Address: 487 Leff Street  
San Luis Obispo, CA 93401  
Phone: 805-594-5323  
Email: ssmith@haslo.org

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

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 2  
Total # of Units: 20  
No. & % of Tax Credit Units: 19 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: N/A

**Information**

Set-Aside: N/A  
 Housing Type: Large Family  
 Geographic Area: Central Coast Region  
 TCAC Project Analyst: Tiffani Negrete

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 2	10%
At or Below 45% AMI: 4	20%
At or Below 50% AMI: 13	40%

**Unit Mix**

6 1-Bedroom Units
9 2-Bedroom Units
5 3-BedroomUnits
<u>20 Total Units</u>

<u>Unit Type &amp; Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 2 Bedrooms	30%	30%	\$561
1 3 Bedrooms	30%	30%	\$649
2 1 Bedroom	45%	45%	\$702
1 2 Bedrooms	45%	45%	\$842
1 3 Bedrooms	45%	45%	\$973
4 1 Bedroom	50%	50%	\$780
6 2 Bedrooms	50%	50%	\$936
3 3 Bedrooms	50%	50%	\$1,081
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$7,792,620

**Project Cost Summary at Application**

Land and Acquisition	\$920,000
Construction Costs	\$4,238,570
Rehabilitation Costs	\$0
Construction Contingency	\$307,295
Relocation	\$0
Architectural/Engineering	\$110,900
Const. Interest, Perm. Financing	\$398,440
Legal Fees, Appraisals	\$34,000
Reserves	\$85,416
Other Costs	\$516,064
Developer Fee	\$893,548
Commercial Costs	\$0
<b>Total</b>	<b>\$7,504,233</b>

**Residential**

Construction Cost Per Square Foot:	\$220
Per Unit Cost:	\$375,212
True Cash Per Unit Cost*:	\$329,212

**Construction Financing**

Source	Amount
Pacific Western Bank	\$4,318,801
HASLO Loan <sup>1</sup>	\$500,000
HASLO Land Donation	\$919,999
SLOC - AHF <sup>2</sup>	\$635,322
SLOC - HTF <sup>3</sup>	\$200,000
Accrued Interest - HASLO	\$17,834
Accrued Interest - AHF	\$18,930
Accrued Interest - HTF	\$9,942
Deferred Costs	\$542,190
Tax Credit Equity	\$341,215

**Permanent Financing**

Source	Amount
Pacific Western Bank	\$765,000
HASLO Loan <sup>1</sup>	\$500,000
HASLO Land Donation	\$919,999
SLOC - AHF <sup>2</sup>	\$635,322
SLOC - HTF <sup>3</sup>	\$200,000
Accrued Interest - HASLO	\$17,834
Accrued Interest - AHF	\$18,930
Tax Credit Equity	\$4,447,148
<b>TOTAL</b>	<b>\$7,504,233</b>

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

<sup>1</sup>Housing Authority of the City of San Luis Obispo Loan

<sup>2</sup>County of San Luis Obispo Affordable Housing Funds

<sup>3</sup>County of San Luis Obispo Housing Trust Fund

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$5,280,792
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$5,280,792
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$475,271
Approved Developer Fee in Project Cost:	\$893,548
Approved Developer Fee in Eligible Basis:	\$815,872
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.93571

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:	\$5,280,792
Actual Eligible Basis:	\$6,255,019
Unadjusted Threshold Basis Limit:	\$6,340,390
Total Adjusted Threshold Basis Limit:	\$6,999,054

**Adjustments to Basis Limit**

Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>35.258%</b>

**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. 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

**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, City of Arroyo Grande, 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within 1/8 mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1/4 mile of a public elementary school	3	3	3
Within 1/2 mile of medical clinic or hospital	3	3	3
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated Program	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</b>

**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.**