

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

October 17, 2018

Judson Terrace Homes, located at 3000 Augusta Street in San Luis Obispo, requested and is being recommended for a reservation of \$941,868 in annual federal tax credits to finance the acquisition and rehabilitation of 101 units of housing serving seniors with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by HumanGood Affordable Housing and is 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 Contract.

Project Number CA-18-618

Project Name Judson Terrace Homes
Site Address: 3000 Augusta Street
San Luis Obispo, CA 93401 County: San Luis Obispo
Census Tract: 110.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$941,868	\$0
Recommended:	\$941,868	\$0

Applicant Information

Applicant: Judson Terrace Homes Senior Housing, L.P.
Contact: Orest Dolyniuk
Address: 6120 Stoneridge Mall Road, Suite 100
Pleasanton, CA 94588
Phone: 818-247-0420
Email: Orestd@beacondevgroup.com

General Partner(s) or Principal Owner(s): Judson Terrace Homes GP, LLC
General Partner Type: Nonprofit
Parent Company(ies): HumanGood Affordable Housing
Developer: HumanGood Affordable Housing
Investor/Consultant: Community Economics
Management Agent: HumanGood Affordable Housing

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 11
Total # of Units: 107
No. / % of Low Income Units: 101 96.19%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (43 Units - 42%)

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: December 1, 2018

Information

Housing Type: Seniors
 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: 43	43%
At or Below 60% AMI: 58	57%

Unit Mix

37 SRO/Studio Units
 69 1-Bedroom Units
 1 2-Bedroom Units

 107 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
23 SRO/Studio	50%	50%	\$728
9 SRO/Studio	60%	46%	\$671
3 SRO/Studio	60%	55%	\$806
20 1 Bedroom	50%	50%	\$780
31 1 Bedroom	60%	46%	\$720
15 1 Bedroom	60%	55%	\$863
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
2 SRO/Studio	Market Rate Unit	Market Rate Unit	\$1,375
2 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,525

TCAC-confirmed Projected Lifetime Rent Benefit: \$52,745,220

Project Cost Summary at Application

Land and Acquisition	\$18,000,000
Construction Costs	\$0
Rehabilitation Costs	\$6,775,486
Construction Contingency	\$1,016,408
Relocation	\$1,152,717
Architectural/Engineering	\$323,410
Const. Interest, Perm. Financing	\$2,076,929
Legal Fees, Appraisals	\$10,000
Reserves	\$604,847
Other Costs	\$699,871
Developer Fee	\$3,905,744
Commercial Costs	\$0
Total	\$34,565,412

Residential

Construction Cost Per Square Foot:	\$107
Per Unit Cost:	\$323,041
True Cash Per Unit Cost*:	\$220,339

Construction Financing

Source	Amount
Citibank	\$20,000,000
Seller Note	\$9,615,775
Existing Reserves	\$327,298
Income During Operations	\$513,592
Accrued Interest	\$294,243
Tax Credit Equity	\$866,432

Permanent Financing

Source	Amount
Citibank	\$5,921,800
Seller Note	\$9,615,775
Developer Loan	\$8,000,000
Accrued Interest	\$294,243
Existing Reserves	\$327,298
Operating Income	\$513,592
Deferred Developer Fee	\$1,373,381
Tax Credit Equity	\$8,519,323
TOTAL	\$34,565,412

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$12,110,307
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$17,833,733
Applicable Fraction:	96.19%
Qualified Basis (Rehabilitation):	\$11,648,962
Qualified Basis (Acquisition):	\$17,154,353
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	\$380,921
Maximum Annual Federal Credit, Acquisition:	\$560,947
Total Maximum Annual Federal Credit:	\$941,868
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,905,744
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.90451

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, 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. 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:	\$29,944,040
Actual Eligible Basis:	\$29,944,040
Unadjusted Threshold Basis Limit:	\$29,918,830
Total Adjusted Threshold Basis Limit:	\$41,886,362

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 40%

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 proposed rents do not include any utility allowance. The owner will pay for all utilities.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, the City of San Luis Obispo, 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.