

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2018 Wait List Project**  
**October 23, 2018**

Ocean Street Apartments, located at 350 Ocean Street in Santa Cruz, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits to finance the new construction of 62 units of housing serving large families with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Pacific West Communities, Inc. and will be located in Senate District 17 and Assembly District 29.

The project financing includes state funding from the IIG program of HCD.

**Project Number** CA-18-114

**Project Name** Ocean Street Apartments  
**Site Address:** 350 Ocean Street  
 Santa Cruz, CA 95060 County: Santa Cruz  
**Census Tract:** 1008.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,500,000	\$0
Recommended:	\$2,500,000	\$0

**Applicant Information**

**Applicant:** Santa Cruz Pacific Associates, a California Limited Partnership  
**Contact:** Caleb Roope  
**Address:** 430 E. State Street, Suite 100  
 Eagle, ID 83616  
**Phone:** 208.461.0022  
**Email:** calebr@tpchousing.com

**General Partner(s) / Principal Owner(s):** TPC Holdings V, LLC  
 Central Valley Coalition for Affordable Housing  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** TPC Holdings V, LLC  
 Central Valley Coalition for Affordable Housing  
**Developer:** Pacific West Communities, Inc.  
**Investor/Consultant:** Boston Capital  
**Management Agent(s):** Cambridge Real Estate Services

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 63  
 No. & % of Tax Credit Units: 62 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: N/A

**Information**

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

**55-Year Use / Affordability**

<b>Aggregate Targeting</b>	<b>Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 30% AMI:	7	10%
At or Below 40% AMI:	10	15%
At or Below 50% AMI:	25	40%
At or Below 60% AMI:	20	30%

**Unit Mix**

16 1-Bedroom Units  
 18 2-Bedroom Units  
 29 3-BedroomUnits  


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 63 Total Units

<b>Unit Type &amp; Number</b>	<b>2018 Rents Targeted % of Area Median Income</b>	<b>2018 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
2 1 Bedroom	30%	30%	\$628
3 1 Bedroom	40%	40%	\$837
6 1 Bedroom	50%	50%	\$1,046
5 1 Bedroom	60%	60%	\$1,256
2 2 Bedrooms	30%	30%	\$753
3 2 Bedrooms	40%	40%	\$1,005
7 2 Bedrooms	50%	50%	\$1,256
6 2 Bedrooms	60%	60%	\$1,507
3 3 Bedrooms	30%	30%	\$870
4 3 Bedrooms	40%	40%	\$1,161
12 3 Bedrooms	50%	50%	\$1,451
9 3 Bedrooms	60%	60%	\$1,741
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$72,232,380

**Project Cost Summary at Application**

Land and Acquisition	\$4,249,644
Construction Costs	\$21,741,952
Rehabilitation Costs	\$0
Construction Contingency	\$1,150,000
Relocation	\$50,000
Architectural/Engineering	\$795,000
Const. Interest, Perm. Financing	\$1,444,800
Legal Fees, Appraisals	\$60,000
Reserves	\$351,885
Other Costs	\$1,868,169
Developer Fee	\$2,200,000
Commercial Costs	\$1,500,000
<b>Total</b>	<b>\$35,411,450</b>

**Residential**

Construction Cost Per Square Foot:	\$286
Per Unit Cost:	\$538,277
True Cash Per Unit Cost*:	\$530,677

**Construction Financing**

Source	Amount
Boston Capital	\$24,446,235
HCD - IIG	\$2,963,800
City of Santa Cruz	\$750,000
Deferred Costs	\$351,885
Deferred Developer Fee	\$2,200,000
Tax Credit Equity	\$4,699,530

**Permanent Financing**

Source	Amount
Boston Capital	\$6,200,000
Commercial Financing	\$1,500,000
HCD - IIG	\$2,963,800
City of Santa Cruz	\$750,000
Deferred Developer Fee	\$500,000
Tax Credit Equity	\$23,497,650
<b>TOTAL</b>	<b>\$35,411,450</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$21,431,182
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,860,537
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Approved Developer Fee in Project Cost:	\$2,200,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.93991

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:	\$21,431,182
Actual Eligible Basis:	\$28,181,182
Unadjusted Threshold Basis Limit:	\$21,281,104
Total Adjusted Threshold Basis Limit:	\$32,424,652

**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
- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- Highest or High Resource Opportunity Area

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>19.941%</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 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 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**

Staff noted the per cost per unit is \$530,677 per unit. The factors affecting this include the high real estate cost for the area, demolition of existing improvements, and parking.

**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 Santa Cruz, has completed a site review of this project and 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 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 3/4 mile of a public elementary school	2	2	2
Within 1/2 mile of medical clinic or hospital	3	3	3
Within 1/2 mile of a pharmacy	2	2	2
Highest or High Resources Area	8	8	8
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
<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.**