

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**March 20, 2019**

RAD 175, located in San Luis Obispo, requested and is being recommended for a reservation of \$3,475,379 in annual federal tax credits to finance the acquisition and rehabilitation of 173 units of housing serving tenants with rents affordable to households earning 50%-80% of area median income (AMI). The project will be developed by San Luis Obispo Non-profit Housing Corporation and is located in Senate District 17 and Assembly District 35.

The project will be receiving rental assistance in the form of HASLO Rental Assistance Demonstration (RAD) Section 8 Project-based Vouchers and HUD Section 8 Project-based Vouchers.

**Project Number** CA-19-445

**Project Name** RAD 175

Site Address:	<u>Arbor Place</u> 1172 Leff Street San Luis Obispo, CA 93401	<u>Branch King South</u> 441 Branch Street San Luis Obispo, CA 93401
Census Tract:	111.01	111.02
	<u>Harris Street</u> 2126 Harris Street San Luis Obispo, CA 93401	<u>Hathway Street</u> 508 Hathway Street San Luis Obispo, CA 93401
	111.02	109.02
	<u>High Street</u> 480 High Street San Luis Obispo, CA 93401	<u>Highland</u> 228 High Street San Luis Obispo, CA 93401
	111.02	111.02
	<u>Leff Street</u> 456 Leff Street San Luis Obispo, CA 93401	<u>Loma Street</u> 2929 Augusta Street San Luis Obispo, CA 93401
	111.02	110.01
	<u>Palmview</u> 11650 Los Osos Valley Road San Luis Obispo, CA 93401	<u>Puerto Del Sol</u> 4280 South Higuera Street San Luis Obispo, CA 93401
	113.00	115.01
	<u>Royal Way</u> 1497 Royal Way San Luis Obispo, CA 93401	<u>Southwood Drive</u> 1240 Southwood Drive San Luis Obispo, CA 93401
	113.00	110.01

Site Address (cont.):	<u>Toro Gardens</u> 1600 Toro Street San Luis Obispo, CA 93401	<u>Upham</u> 711 Upham Street San Luis Obispo, CA 93401
Census Tract (cont.):	111.01	111.02
County: San Luis Obispo		

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$3,475,379	\$0
Recommended:	\$3,475,379	\$0

**Applicant Information**

Applicant:	RAD 175, LP
Contact:	Scott Smith
Address:	487 Leff Street San Luis Obispo, CA 93401
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):	San Luis Obispo Non-profit Housing Corporation
Developer:	San Luis Obispo Non-profit Housing Corporation
Investor/Consultant:	NEF, Inc.
Management Agent:	Housing Authority of San Luis Obispo

**Project Information**

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	46
Total # of Units:	175
No. / % of Low Income Units:	173 100.00%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	Tax-Exempt / HUD RAD Project-based Vouchers (118 units - 68%) / HUD Section 8 Project-based Vouchers (55 units - 32%)

**Bond Information**

Issuer:	Housing Authority of San Luis Obispo
Expected Date of Issuance:	June 1, 2019

**Information**

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

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>		<b>Percentage of Affordable Units</b>
50% AMI:	124	72%
80% AMI:	49	28%

**Unit Mix**

10 SRO/Studio Units
18 1-Bedroom Units
57 2-Bedroom Units
59 3-Bedroom Units
29 4-Bedroom Units
2 5-Bedroom Units
<b>175 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2019 Rents Targeted % of Area Median Income</b>	<b>2019 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
10 SRO/Studio	50%	34%	\$502
15 1 Bedroom	50%	42%	\$662
18 2 Bedrooms	50%	49%	\$915
23 3 Bedrooms	50%	50%	\$1,081
15 4 Bedrooms	50%	50%	\$1,207
2 1 Bedroom	80%	42%	\$662
2 2 Bedrooms	80%	49%	\$915
18 3 Bedrooms	80%	78%	\$1,692
11 4 Bedrooms	80%	80%	\$1,932
2 5 Bedrooms	80%	80%	\$2,130
1 1 Bedroom	50%	42%	\$653
3 2 Bedrooms	50%	48%	\$899
3 3 Bedrooms	50%	50%	\$1,081
3 4 Bedrooms	50%	50%	\$1,207
1 3 Bedrooms	80%	77%	\$1,672
8 2 Bedrooms	50%	50%	\$936
3 2 Bedrooms	80%	52%	\$976
14 2 Bedrooms	50%	50%	\$936
11 3 Bedrooms	50%	50%	\$1,081
9 2 Bedrooms	80%	54%	\$1,016
1 3 Bedrooms	80%	80%	\$1,730
2 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$62,030,000
Construction Costs	\$0
Rehabilitation Costs	\$17,963,463
Construction Hard Cost Contingency	\$2,694,519
Soft Cost Contingency	\$334,150
Relocation	\$1,400,000
Architectural/Engineering	\$800,000
Const. Interest, Perm. Financing	\$3,804,950
Legal Fees	\$90,000
Reserves	\$1,367,627
Other Costs	\$2,085,225
Developer Fee	\$12,491,982
Commercial Costs	\$0
<b>Total</b>	<b>\$105,061,916</b>

**Residential**

Construction Cost Per Square Foot:	\$106
Per Unit Cost:	\$600,354
True Cash Per Unit Cost*:	\$510,521

**Construction Financing**

Source	Amount
Pacific Western Bank	\$57,000,000
Seller Carryback	\$14,220,724
Deferred Interest	\$1,194,541
Costs Deferred Until Conversion	\$10,734,609
Deferred Developer Fee	\$1,500,000
General Partner Contribution	\$2,500,000
Tax Credit Equity	\$17,912,042

**Permanent Financing**

Source	Amount
Pacific Western Bank	\$13,119,300
Seller Carryback	\$46,238,290
Deferred Interest	\$1,194,541
General Partner Grant	\$2,500,000
Deferred Developer Fee	\$1,500,000
General Partner Contribution	\$7,741,982
Tax Credit Equity	\$32,767,803
<b>TOTAL</b>	<b>\$105,061,916</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$31,808,866
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$63,963,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$41,351,526
Qualified Basis (Acquisition):	\$63,963,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$1,364,600
Maximum Annual Federal Credit, Acquisition:	\$2,110,779
Total Maximum Annual Federal Credit:	\$3,475,379
Approved Developer Fee (in Project Cost & Eligible Basis):	\$12,491,982
Investor/Consultant:	NEF, Inc.
Federal Tax Credit Factor:	\$0.94286

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:	\$95,771,866
Actual Eligible Basis:	\$95,771,866
Unadjusted Threshold Basis Limit:	\$70,150,047
Total Adjusted Threshold Basis Limit:	\$119,956,580

**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: 71%

**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 3.30% 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**

This project is a rehabilitation of 14 existing non-contiguous sites regulated by one HUD Annual Contribution Contract in the City of San Luis Obispo. The applicant requested and was granted a waiver from the five site limit for scattered site projects pursuant to CTCAC Regulation Section 10302(II)(2)(1).

This project consists of 13 sites of non-targeted housing, and one site, Toro Gardens, that is an age restricted senior site.

Development costs are roughly \$510,521 per unit. The factors affecting this cost includes high real estate costs for the area, and extensive rehabilitation at 14 sites.

**Resyndication and Resyndication Transfer Event:** None

**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