

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 Second Round

September 25, 2019

West Cox Cottages, located at 1141 West Cox Lane in Santa Maria, requested and is being recommended for a reservation of \$444,005 in annual federal tax credits to finance the new construction of 29 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 Surf Development Company and will be located in Senate District 35 and Assembly District 19.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-19-109

Project Name West Cox Cottages
Site Address: 1141 West Cox Lane
Santa Maria, CA 93458 County: Santa Barbara
Census Tract: 23.050

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$444,005	\$0
Recommended:	\$444,005	\$0

Applicant Information

Applicant: West Cox Cottages, L.P.
Contact: Robert P. Havlicek Jr.
Address: 815 West Ocean Avenue
Lompoc, CA 93436
Phone: (805) 736-3423
Email: bobhavlicek@hasbarco.org

General Partner(s) / Principal Owner(s):	Surf Development Company
General Partner Type:	Nonprofit
Parent Company(ies):	Surf Development Company
Developer:	Surf Development Company
Investor/Consultant:	CREA
Management Agent(s):	Housing Authority of the County of Santa Barbara

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	13
Total # of Units:	30
No. & % of Tax Credit Units:	29 100%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	HUD Section 8 Project-based Vouchers (29 units - 100%)

Information

Set-Aside: Nonprofit (homeless assistance)
Housing Type: Special Needs
Type of Special Needs: Homeless / formerly homeless;
Persons with physical, mental, developmental disabilities
Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%
% of Special Need Units 29 units 100%
Geographic Area: Central Coast Region
TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI: 3	10%
At or Below 40% AMI: 23	75%
At or Below 50% AMI: 3	10%

Unit Mix

30 1-Bedroom Units
30 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3 1 Bedroom	30%	30%	\$621
12 1 Bedroom	40%	40%	\$828
11 1 Bedroom	40%	40%	\$828
3 1 Bedroom	50%	50%	\$1,035
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,420,000
Construction Costs	\$4,761,050
Rehabilitation Costs	\$0
Construction Contingency	\$378,053
Relocation	\$0
Architectural/Engineering	\$175,000
Const. Interest, Perm. Financing	\$559,167
Legal Fees	\$110,000
Reserves	\$698,003
Other Costs	\$940,292
Developer Fee	\$1,177,513
Commercial Costs	\$0
Total	\$10,219,078

Residential

Construction Cost Per Square Foot:	\$271
Per Unit Cost:	\$340,636
True Cash Per Unit Cost*:	\$340,418

Construction Financing

Source	Amount
Rabobank	\$5,315,864
HACSB Loan**	\$2,850,000
Deferred Developer Fee	\$827,883
Tax Credit Equity	\$1,225,331

Permanent Financing

Source	Amount
CCRC - Tranche B Loan	\$3,150,000
HACSB Loan**	\$2,850,000
Deferred Developer Fee	\$6,550
Solar Tax Credit Equity	\$128,090
Tax Credit Equity	\$4,084,438
TOTAL	\$10,219,078

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

**Housing Authority of the County of Santa Barbara

Determination of Credit Amount(s)

Requested Eligible Basis:	\$4,933,385
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$4,933,385
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$444,005
Approved Developer Fee in Project Cost:	\$1,177,513
Approved Developer Fee in Eligible Basis:	\$981,261
Investor/Consultant:	CREA
Federal Tax Credit Factor:	\$0.91991

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:	\$4,933,385
Actual Eligible Basis:	\$7,453,385
Unadjusted Threshold Basis Limit:	\$7,739,550
Total Adjusted Threshold Basis Limit:	\$9,920,431

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

Local Development Impact Fees

Tie-Breaker Information

First:

Special Needs

Final:

70.105%**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 or 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, 3.30%. 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 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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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 ¼ mile of transit, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	3	3	3
Within 1½ miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Special Needs project within ½ mile of facility serving tenant population	3	3	3
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			
Develop project in accordance w/ requirements: GreenPoint Rated Program	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.**