

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

Siesta Senior Apartments, located at 171 Siesta Way & 18503 Highway 12 in Sonoma, California, requested \$2,707,657 in annual federal tax credits but is being recommended for a reservation of \$2,705,460 in annual federal tax credits (See Significant Information section below) to finance the new construction of 92 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Milestone Housing Group, LLC and will be located in Senate District 2 and Assembly District 4.

Project Number CA-20-121

Project Name Siesta Senior Apartments
Site Address: 171 Siesta Way & 18503 Hwy 12
Sonoma, CA 95476
Census Tract: 1503.060

Tax Credit Amounts	Federal/Annual *	State/Total
Requested:	\$2,707,657	\$0
Recommended:	\$2,705,460	\$0

* Further Consolidated Appropriations Act, 2020 (FCAA) Credits

Applicant Information

Applicant: Siesta Senior Apartments, LP
Contact: Marcus Griffin
Address: 481 N. Santa Cruz Avenue, Suite 310
Los Gatos, CA 95030
Phone: 727.204.8128
Email: marcus@milestonehousing.com

General Partner(s) / Principal Owner(s): Pacific Housing, Inc.
Siesta Milestone GP, LLC
General Partner Type: Joint Venture
Parent Company(ies): Pacific Housing, Inc.
Milestone Housing Group, LLC
Developer: Milestone Housing Group, LLC
Investor/Consultant: Hudson Housing Capital
Management Agent(s): FPI Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 92
Total # of Tax Credit Units: 92
No. & % of Low Income Units: 91 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: N/A

Information

County Allocation: Sonoma
 Housing Type: Seniors
 TCAC Project Analyst: Brett Andersen

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 10	10%
At or Below 40% AMI: 10	10%
At or Below 50% AMI (Rural): 46	50%
At or Below 60% AMI: 25	25%

Unit Mix

92 1-Bedroom Units
 92 Total Units

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10 1 Bedroom	30%	30%	\$639
10 1 Bedroom	40%	40%	\$852
46 1 Bedroom	50%	50%	\$1,066
25 1 Bedroom	60%	60%	\$1,278
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,080,000
Construction Costs	\$20,388,608
Rehabilitation Costs	\$0
Construction Contingency	\$1,233,838
Relocation	\$973,000
Architectural/Engineering	\$875,000
Const. Interest, Perm. Financing	\$1,383,262
Legal Fees	\$210,000
Reserves	\$250,126
Other Costs	\$2,656,870
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$34,250,704

Residential

Construction Cost Per Square Foot:	\$291
Per Unit Cost:	\$372,290
True Cash Per Unit Cost*:	\$353,378

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$20,700,000	Citibank, N.A.	\$8,975,000
Deferred Costs	\$250,126	Deferred Developer Fee	\$656,022
Deferred Developer Fee	\$1,739,927	Tax Credit Equity	\$24,619,682
Tax Credit Equity	\$11,580,651	TOTAL	\$34,250,704

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$23,169,685
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$30,120,591
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,705,460
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	\$0.91000

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:	\$23,169,685
Actual Eligible Basis:	\$27,952,685
Unadjusted Threshold Basis Limit:	\$28,432,692
Total Adjusted Threshold Basis Limit:	\$33,220,322

Adjustments to Basis Limit

Local Development Impact Fees
 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Letter of Support
Second:	\$29,431.05

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, 3.24%. 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 has requested and received a waiver allowing the project to exceed the 80 low-income units for the rural set-aside, in accordance with TCAC Regulation Section 10325(f)(9)(A).

There was a slight correction to the purchase price, which resulted in a reduction in the total project cost and the tax credit amount necessary for feasibility.

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. 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 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 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
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	3
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
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
Total Points	81	81	81

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL REAPPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.