

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
December 9, 2020**

Isla Vista Apartments, located at 6660 Abrego Road in Goleta, requested and is being recommended for a reservation of \$885,890 in annual federal tax credits to finance the acquisition and rehabilitation of 55 units of housing serving large families with rents affordable to households earning 50-80% of area median income (AMI). The project will be developed by Peoples' Self-Help Housing Corporation and is located in Senate District 19 and Assembly District 37.

Isla Vista Apartments financing includes state funding from the Joe Serna Jr. Farmworker Housing Grant Program of HCD.

Project Number CA-20-693

Project Name Isla Vista Apartments
Site Address: 6660 Abrego Road
Goleta, CA 93117 County: Santa Barbara
Census Tract: 29.24

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$885,890	\$0
Recommended:	\$885,890	\$0

Applicant Information

Applicant: Peoples' Self Help Housing Corporation
Contact: Kevin Wilson
Address: 3533 Empleo Street
San Luis Obispo, CA 93401
Phone: 805-651-3590
Email: kevinw@pshhc.org

General Partner(s) or Principal Owner(s): Isla Vista Apartments, LLC
General Partner Type: Nonprofit
Parent Company(ies): Peoples' Self-Help Housing Corporation
Developer: Peoples' Self-Help Housing Corporation
Investor/Consultant: Community Economics
Management Agent: Peoples' Self-Help Housing Corporation

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 3
Total # of Units: 56
No. / % of Low Income Units: 55 100.00%
Federal Set-Aside Elected: 40%/60% Average Income
Federal Subsidy: Tax Exempt / HOME

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: January 15, 2021

Information

Housing Type: Large Family
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Brett Andersen

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 25	45%
60% AMI: 18	33%
80% AMI: 12	22%

Unit Mix

24 1-Bedroom Units
 16 2-Bedroom Units
 16 3-Bedroom Units

 56 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>
12 1 Bedroom	50%	47%	\$1,037
7 1 Bedroom	60%	59%	\$1,325
5 1 Bedroom	80%	60%	\$1,349
7 2 Bedrooms	50%	45%	\$1,192
5 2 Bedrooms	60%	53%	\$1,407
4 2 Bedrooms	80%	65%	\$1,738
6 3 Bedrooms	50%	44%	\$1,360
6 3 Bedrooms	60%	53%	\$1,647
3 3 Bedrooms	80%	61%	\$1,886
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$10,171,360
Construction Costs	\$0
Rehabilitation Costs	\$8,099,930
Construction Hard Cost Contingency	\$924,139
Soft Cost Contingency	\$50,000
Relocation	\$701,027
Architectural/Engineering	\$445,510
Const. Interest, Perm. Financing	\$1,640,349
Legal Fees	\$37,500
Reserves	\$188,397
Other Costs	\$123,321
Developer Fee	\$2,802,774
Commercial Costs	\$0
Total	\$25,184,308

Residential

Construction Cost Per Square Foot:	\$181
Per Unit Cost:	\$449,720
True Cash Per Unit Cost*:	\$335,743

Construction Financing

Source	Amount
Citibank Community Capital	\$14,335,967
Seller Carryback Note	\$5,554,939
Accrued Interest	\$127,764
HCD FWHG - Existing ¹	\$300,000
Accrued Interest	\$6,900
County of Santa Barbara - Existing	\$1,449,764
Accrued Interest	\$33,345
Income from Operations	\$201,270
Tax Credit Equity	\$778,903

Permanent Financing

Source	Amount
Citibank Community Capital	\$5,468,000
Seller Carryback Note	\$5,554,939
Accrued Interest	\$127,764
County of Santa Barbara - HOME	\$1,000,000
County of Santa Barbara - Existing	\$1,449,764
Accrued Interest	\$33,345
HCD FWHG - Existing ¹	\$300,000
Accrued Interest	\$6,900
Income from Operations	\$416,961
Sponsor Loan	\$1,744,831
Deferred Developer Fee	\$827,751
General Partner Equity	\$575,023
Tax Credit Equity	\$7,679,031
TOTAL	\$25,184,308

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

¹Joe Serna Jr. Farmworker Housing Grant

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$12,593,985
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$10,970,081
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$16,372,180
Qualified Basis (Acquisition):	\$10,970,081
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	\$530,459
Maximum Annual Federal Credit, Acquisition:	\$355,431
Total Maximum Annual Federal Credit:	\$885,890
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,802,774
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.86682

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:	\$23,564,065
Actual Eligible Basis:	\$23,564,065
Unadjusted Threshold Basis Limit:	\$20,340,456
Total Adjusted Threshold Basis Limit:	\$29,493,661

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: 45%

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 3.24% 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: None.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.