

# CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

## Project Staff Report

### Tax-Exempt Bond Project

August 11, 2021

Morro Bay Apartments, located at 405 Atascadero Road in Morro Bay, requested and is being recommended for a reservation of \$795,737 in annual federal tax credits and \$4,590,793 in total state tax credits to finance the new construction of 34 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 San Luis Obispo Nonprofit Housing Corporation and will be located in Senate District 17 and Assembly District 35.

Morro Bay Apartments will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

**Project Number** CA-21-590

**Project Name** Morro Bay Apartments  
Site Address: 405 Atascadero Rd.  
Morro Bay, CA 93442 County: San Luis Obispo  
Census Tract: 105.03

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$795,737	\$4,590,793
Recommended:	\$795,737	\$4,590,793

\* The applicant made an election to sell (Certificate) all or any portion of the state credits.

#### Applicant Information

Applicant: San Luis Obispo Nonprofit Housing Corporation  
Contact: Ken Litzinger  
Address: 487 Leff St.  
San Luis Obispo, CA 93401  
Phone: (805) 594-5304  
Email: klitzinger@haslo.org

General Partner(s) or Principal Owner(s): San Luis Obispo Nonprofit Housing Corporation  
Morro Bay Apartments, LLC  
General Partner Type: Joint Venture  
Parent Company(ies): San Luis Obispo Nonprofit Housing Corporation  
Jim Rendler, Sole Member  
Developer: San Luis Obispo Nonprofit Housing Corporation  
Bond Issuer: Housing Authority of San Luis Obispo  
Investor/Consultant: California Housing Partnership  
Management Agent: Housing Authority San Luis Obispo

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 35  
 No. / % of Low Income Units: 34 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax Exempt / HUD Section 8 Project-based Vouchers (5 units - 15%)

**Information**

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

**55-Year Use / Affordability**

<b>Aggregate Targeting</b>		<b>Percentage of</b>
<b>Number of Units</b>		<b>Affordable Units</b>
30% AMI:	4	12%
45% AMI:	9	26%
50% AMI:	13	38%
60% AMI:	8	24%

**Unit Mix**

17 1-Bedroom Units
9 2-Bedroom Units
9 3-Bedroom Units
<b>35 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2021 Rents Targeted % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
2 1 Bedroom	30%	\$550
1 2 Bedrooms	30%	\$660
1 3 Bedrooms	30%	\$763
4 1 Bedroom	45%	\$825
3 2 Bedrooms	45%	\$991
2 3 Bedrooms	45%	\$1,144
5 1 Bedroom	50%	\$917
4 2 Bedrooms	50%	\$1,101
4 3 Bedrooms	50%	\$1,271
5 1 Bedroom	60%	\$1,101
1 2 Bedrooms	60%	\$1,321
2 3 Bedrooms	60%	\$1,526
1 1 Bedroom	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$650,000
Construction Costs	\$10,377,307
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$518,865
Soft Cost Contingency	\$150,000
Relocation	\$0
Architectural/Engineering	\$480,000
Const. Interest, Perm. Financing	\$746,482
Legal Fees	\$40,000
Reserves	\$105,405
Other Costs	\$1,448,646
Developer Fee	\$1,995,997
Commercial Costs	\$0
<b>Total</b>	<b>\$16,512,702</b>

**Residential**

Construction Cost Per Square Foot:	\$360
Per Unit Cost:	\$471,791
True Cash Per Unit Cost*:	\$455,477

**Construction Financing**

Source	Amount
Pacific Western Bank Tax Exempt	\$8,773,900
Pacific Western Bank Taxable	\$4,242,325
City of Morro Bay - In-Lieu Loan	\$150,000
City of Morro Bay - Deferred Fee	\$350,000
HASLO Public Funds Loan	\$48,811
Costs Deferred Until Conversion	\$832,205
Deferred Developer Fee	\$570,997
Tax Credit Equity	\$1,544,464

**Permanent Financing**

Source	Amount
Pacific Western Bank Tax Exempt	\$4,444,800
City of Morro Bay - In-Lieu Loan	\$150,000
City of Morro Bay - Deferred Fee	\$350,000
HASLO Public Funds Loan	\$48,811
Deferred Developer Fee	\$570,996
Tax Credit Equity	\$10,948,095
<b>TOTAL</b>	<b>\$16,512,702</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$15,302,643
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$19,893,436
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$795,737
Total State Credit:	\$4,590,793
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,995,997
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.88546
State Tax Credit Factor:	\$0.85000

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.

**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.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

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.