

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2021 Second Round**

**October 20, 2021**

Cypress & 7th, located at 1401 East Cypress Avenue in Lompoc, requested and is being recommended for a reservation of \$614,075 in annual federal tax credits to finance the new construction of 14 units of housing serving special needs tenants with rents affordable to households earning 40%-60% of area median income (AMI). The project will be developed by Surf Development Company and will be located in Senate District 19 and Assembly District 34.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the NPLH program of HCD.

**Project Number** CA-21-076

**Project Name** Cypress & 7th  
**Site Address:** 1401 East Cypress Avenue  
Lompoc, CA 93436 Santa Barbara County:  
**Census Tract:** 27.080

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$614,075	\$0
Recommended:	\$614,075	\$0

**Applicant Information**

**Applicant:** Cypress & 7th, 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):** Housing Authority of the County of Santa Barbara  
**Developer:** Surf Development Company  
**Investor/Consultant:** RedStone Equity Partners  
**Management Agent(s):** Housing Authority of the County of Santa Barbara

**Project Information**

**Construction Type:** New Construction  
**Total # Residential Buildings:** 2  
**Total # of Units:** 15  
**No. & % of Tax Credit Units:** 14 100%  
**Federal Set-Aside Elected:** 40%/60%  
**Federal Subsidy:** HOME / HUD Section 8 Project-based Vouchers (14 units - 100%)

**Information**

Set-Aside: Nonprofit (homeless assistance)  
Housing Type: Special Needs  
Type of Special Needs: Homeless/ formerly homeless  
Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%  
% of Special Need Units: 14 units 100.00%  
Geographic Area: Central Coast Region  
TCAC Project Analyst: Jonghyun(Tommy), Shim

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 2	10%
At or Below 40% AMI: 10	70%
At or Below 50% AMI: 2	10%

**Unit Mix**

<u>15 1-Bedroom Units</u>
15 Total Units

<u>Unit Type &amp; Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 1 Bedroom	30%	\$703
10 1 Bedroom	40%	\$937
2 1 Bedroom	50%	\$1,171
1 1 Bedroom	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$530,000
Construction Costs	\$4,601,490
Rehabilitation Costs	\$0
Construction Contingency	\$380,074
Relocation	\$0
Architectural/Engineering	\$425,000
Const. Interest, Perm. Financing	\$544,000
Legal Fees	\$110,000
Reserves	\$543,553
Other Costs	\$577,973
Developer Fee	\$955,684
Commercial Costs	\$0
<b>Total</b>	<b>\$8,667,774</b>

**Residential**

Construction Cost Per Square Foot:	\$406
Per Unit Cost:	\$577,852
True Cash Per Unit Cost*:	\$577,254

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Pacific Western Bank	\$5,400,000	Pacific Western Bank	\$2,300,000
HACSB HOME/NPLH	\$882,696	HACSB HOME/NPLH	\$882,696
Deferred Developer Fee	\$719,004	Deferred Developer Fee	\$8,963
Tax Credit Equity	\$1,666,074	Photovoltaic Equity	\$72,795
0		Tax Credit Equity	\$5,403,320
		<b>TOTAL</b>	<b>\$8,667,774</b>

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

#### Determination of Credit Amount(s)

Requested Eligible Basis:	\$6,823,060
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$6,823,060
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$614,075
Approved Developer Fee (in Project Cost & Eligible Basis):	\$955,684
Investor/Consultant:	RedStone Equity Partners
Federal Tax Credit Factor:	\$0.87991

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.

#### Tie-Breaker Information

First:	Special Needs
Final:	40.613%

**Significant Information / Additional Conditions:** None.

**Resyndication and Resyndication Transfer Event:** None.

#### 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.

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 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.

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.

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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>10</b>	<b>10</b>	<b>10</b>
General Partner Experience	7	7	7
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of transit station or public bus stop	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Special Needs project within ½ mile of facility serving tenant population	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
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. 42 hrs/yr instruction	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>109</b>	<b>109</b>	<b>109</b>

**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.**