

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
August 23, 2023**

The Bluffs at 44th, located at 4401 Capitola Road in Capitola, requested and is being recommended for a reservation of \$1,638,402 in annual federal tax credits and \$9,146,263 in total state tax credits to finance the new construction of 35 units of housing serving families with rents affordable to households earning 30%-80% of area median income (AMI). The project will be developed by CRP Affordable Housing and Community Development LLC and will be located in Senate District 17 and Assembly District 30.

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 Mixed-Income Program (MIP) through CalHFA.

Project Number CA-23-532

Project Name The Bluffs at 44th
Site Address: 4401 Capitola Road
Capitola, CA 95010
County: Santa Cruz
Census Tract: 1217.01

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,638,402	\$9,146,263
Recommended:	\$1,638,402	\$9,146,263

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

Applicant Information

Applicant: Pacific Southwest Community Development Corporation
Contact: Robert Laing
Address: 16935 Rancho Bernardo Rd#238
San Diego, CA 92127
Phone: 858-675-0506
Email: robertlaing@pswcdc.org

General Partner(s) or Principal Owner(s): The Bluffs at 44th AGP LLC
Pacific Southwest Community Development Corporation
General Partner Type: Joint Venture
Parent Company(ies): The Bluffs at 44th AGP LLC
Developer: CRP Affordable Housing and Community Development LLC
Pacific Southwest Community Development Corporation
Bond Issuer: California Housing Finance Agency
Investor/Consultant: RBC Capital Markets, Inc.
Management Agent: Cambridge Real Estate Services, Inc

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 36
 No. / % of Low Income Units: 35 100.00%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (25 Units - 39%)

Information

Housing Type: Large Family
 Geographic Area: Central Coast Region
 CTCAC Project Analyst: Nick White

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	25	71%
60% AMI:	6	17%
80% AMI:	4	11%

Unit Mix

15 1-Bedroom Units
 9 2-Bedroom Units
 12 3-Bedroom Units

 36 Total Units

Unit Type & Number	2022 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
4 1 Bedroom	80%	\$2,333
6 1 Bedroom	60%	\$1,749
5 1 Bedroom	30%	\$874
9 2 Bedrooms	30%	\$1,050
11 3 Bedrooms	30%	\$1,213
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$5,315,000
Construction Costs	\$19,410,001
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$705,000
Soft Cost Contingency	\$700,000
Relocation	\$0
Architectural/Engineering	\$1,150,000
Const. Interest, Perm. Financing	\$3,911,540
Legal Fees	\$325,000
Reserves	\$382,172
Other Costs	\$2,203,812
Developer Fee	\$4,109,705
Commercial Costs	\$0
Total	\$38,212,230

Residential

Construction Cost Per Square Foot:	\$631
Per Unit Cost:	\$1,061,451
True Cash Per Unit Cost*:	\$1,016,737

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
JP Morgan Chase Tax-Exempt	\$18,222,000	CalHFA	\$12,037,316
JP Morgan Chase Taxable	\$10,255,869	CalHFA MIP	\$2,100,000
Deferred Cost: Cost Deferral	\$4,118,058	Deferred Developer Fee	\$1,609,705
State Tax Credit	\$2,012,178	Tax Credit Equity	\$22,465,209
Federal Tax Credit	\$3,604,125	TOTAL	\$38,212,230

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$31,507,737
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$40,960,058
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$1,638,402
Total State Credit:	\$9,146,263
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,109,705
Investor/Consultant:	RBC Capital Markets, Inc.
Federal Tax Credit Factor:	\$0.87991
State Tax Credit Factor:	\$0.88000

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

Staff noted a per unit cost of \$1,016,737. The applicant noted that the high per unit cost is attributed to the project being located in a difficult development area, the accommodation of fire department access requirements, high cost of labor, Davis-Bacon wage requirements and increased cost.

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC 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, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, 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 CTCAC 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 CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

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

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).