

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2007 Second Round Cycle
September 26, 2007

Project Number CA-2007-161

Project Name Homebase on G Street
Site Address: 513 North G Street
Lompoc, CA 93436 **County:** Santa Barbara **Census Tract:** 27.03

Applicant Information

Applicant: 513 North G, L.P.
Contact: Mr. Frank Thompson
Address: 1108 De La Vina Street, #B
Santa Barbara, CA 93101
Phone: (805) 895-2453 **Fax:** (805) 957-1301
General PartnerType: Nonprofit

Information

Set-Aside: Nonprofit Homeless Apportionment
Housing Type: Special Needs and SRO
Type of SpN: Chronically and Mentally Ill Homeless Persons
Number of Special Need Units: 51%
Geographic Area: N/A

Eligible Basis

Requested: \$6,713,764
Actual: \$6,713,764
Maximum Permitted: \$6,970,079

Adjustments to Threshold Basis Limit: Required to Pay Prevailing Wages
Local Impact Fees Utilizing New Energy Technologies
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features
Region Where Development Costs Frequently Exceed Published Limit

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$641,676	\$0
Recommended:	\$636,914	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: HOME
Total # of Units: 39
Total # Residential Buildings: 2

Income/Rent Targeting

Federal Set-Aside Elected: 40%/60%
% & No. of Tax Credit Units: 100% - 37 units
Average Affordability of Special Needs Units or SRO Project: 40%
Breakdown by %: 49% @ 30% & 51% @ 40%

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
<i>Cost Efficiency/Credit Reduction/Public Funds</i> Maximum of 20 points	20	20	20
<input checked="" type="checkbox"/> Cost Efficiency	18	3	3
<input checked="" type="checkbox"/> Credit Reduction	20	12	12
<input checked="" type="checkbox"/> Public Funds	18	5	5
<i>Owner / Management Characteristics</i> Maximum of 9 points	9	8	6
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	2	0
Negative Points			
<i>Housing Needs</i> Maximum of 10 points	10	10	10
<i>Site Amenities</i> Maximum of 15 points	15	15	15
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes & 25 units per acre density	7	7	7
<input checked="" type="checkbox"/> Within ½ mile of a full-scale grocery store with staples, fresh meat and fresh produce	3	3	3
<input checked="" type="checkbox"/> Special Needs or SRO project within ½ mile of a facility operated to serve population	3	3	3
<input checked="" type="checkbox"/> Within 1 mile of medical clinic or hospital	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of a pharmacy	1	1	1
<i>Service Amenities</i> Maximum of 10 points	10	10	10
<input checked="" type="checkbox"/> High speed internet service provided free of charge in each unit	5	5	5
<input checked="" type="checkbox"/> Contract for services or provision of senior counseling services, with contract in place	5	5	5
<i>Neighborhood Revitalization</i> Maximum of 9 points	9	9	7
<i>Sustainable Building Methods</i> Maximum of 8 points	8	8	8
<input checked="" type="checkbox"/> New construction/adaptive reuse increases energy efficiency 10% above Title 24	4	4	4
<input checked="" type="checkbox"/> Energy star rated ceiling fans in bedroom/living room; whole house fan; economizer	2	2	2
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat sensor or timer and outdoor exhaust	2	2	2
<i>Lowest Income</i> Maximum of 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<i>Readiness to Proceed</i> Maximum of 20 points	20	20	10
<i>State credit substitution</i> Maximum of 2 points	2	2	2
Total Points	155	154	140

Tie-Breaker Information

Tie-Breaker Categories Apply to this Project: **No**

First: Housing Type **Special Needs**

Second: QCT/Federal Designated Area **Yes**

Third: Calculated Ratio per Regulation 10325(c)(12) **112.499%**

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
18 Studio	30%	\$352
19 Studio	40%	\$421
2 Studio	Managers' Units	\$0

The general partner or principal owner is Santa Barbara Housing Assistance Corporation.

The project developer is Santa Barbara Housing Assistance Corporation.

The management agent is Santa Barbara County Housing Authority & Transitions Mental Health Association.

The market analyst is the Gill Group, Inc.

The Local Reviewing Agency, the City of Lompoc, has completed a site review of this project and supports this project.

Project Financing

Estimated Total Project Cost: \$7,624,421 Per Unit Cost: \$190,370 Construction Cost Per Sq. Foot: \$289

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Hanmi Bank	\$2,500,000	City of Lompoc RDA	\$250,000
City of Lompoc – HELP & AHTF	\$1,700,000	City of Lompoc – HOME	\$150,000
City of Lompoc – HOME	\$150,000	County of Santa Barbara – HOME	\$200,000
City of Lompoc RDA	\$250,000	SBHAC – AHP	\$339,300
Deferred Developer Fee Loan	\$700,000	Deferred Developer Fee	\$379,678
Investor Equity	\$2,368,559	Investor Equity	\$6,305,443
		TOTAL	\$7,624,421

Determination of Credit Amount(s)

Requested Eligible Basis:	\$6,713,764
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis Credit Reduction (12%)	\$1,054,233
Qualified Basis:	\$7,673,660
Applicable Rate:	8.30%
Total Maximum Annual Federal Credit:	\$636,914
Total State Credit:	\$0
Approved Developer Fee in Project Costs:	\$837,328
Approved Developer Fee in Eligible Basis:	\$837,328
Tax Credit Factor: Red Stone Equity Partners	\$.98999

Applicant requests annual federal credits of \$641,676, based on a qualified basis of \$7,731,040 and a funding shortfall of \$6,352,592. Staff recommends annual federal credits of \$636,914, based on a qualified basis of \$7,673,660 and a funding shortfall of \$6,305,443. This project originally received a reservation of tax credits as CA-2006-141, at which time the maximum developer fee was established for the project. At reapplication as CA-2007-161, the applicant increased the developer fee above the established limit. Staff adjusted accordingly.

Cost Analysis and Line Item Review

The requested eligible basis \$6,713,764 is below TCAC’s threshold basis limit \$6,970,079. The basis limit was increased by the following extraordinary features: projects that are located in regions where development costs frequently exceed the published limit, projects that are required to pay state or federal prevailing wages, projects that include distributive energy technologies such as micro turbines and/or renewable energy sources such as solar, local development impact fees, the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items for exceeding Title 24 by at least 15%, using natural linoleum/ceramic tile/natural rubber for all kitchens and bathrooms where no VOC adhesives or backing is used, and using vented kitchen range hoods to the exterior of the building in at least 80% of the units, and the adjustment.

Annual operating expenses 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 8.30% 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.

Special Issues/Other Significant Information: None

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.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits, in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
\$636,914	\$0

Standard Conditions

An application for a carryover allocation must be submitted by October 31, 2007, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than six (6) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. 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. The performance deposit must be paid by cashier's check within 20 calendar days of any preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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.

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 ten 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)(8) 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)(P) at project completion.

Additional Conditions:

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is February 22, 2008, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Jack Waegell