

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

July 20, 2016

Iron Works, located at 3680 Broad Street in San Luis Obispo, requested and is being recommended for a reservation of \$557,394 in annual federal tax credits to finance the new construction of 45 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by San Luis Obispo Non Profit and will be located in Senate District 17 and Assembly District 35.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-16-906

Project Name Iron Works
Site Address: 3680 Broad Street
San Luis Obispo, CA 93401 County: San Luis Obispo
Census Tract: 115.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$557,394	\$0
Recommended:	\$557,394	\$0

Applicant Information

Applicant: Iron Works Apartments, LP
Contact: Jim Rendler
Address: 487 Leff St.
San Luis Obispo, CA 93401
Phone: (408)891-8303 Fax: (805)543-4992
Email: rendlerjim@gmail.com

General Partner(s) or Principal Owner(s): San Luis Obispo Non-Profit, LLC
SLO Iron Works, LLC
General Partner Type: Joint Venture
Parent Company(ies): San Luis Obispo Non-Profit, LLC
SLO Iron Works, LLC
Developer: San Luis Obispo Non-Profit
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Housing Authority San Luis Obispo

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 46
 No. & % of Tax Credit Units: 45 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / CDBG / HUD Section 8 Project-based Vouchers (20 units - 44%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 6
 Number of Units @ or below 60% of area median income: 39

Bond Information

Issuer: Housing Authority of City San Luis Obispo
 Expected Date of Issuance: November 1, 2016
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Marisol Parks

Unit Mix

12 1-Bedroom Units
 19 2-Bedroom Units
15 3-Bedroom Units
 46 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10 1 Bedroom	60%	60%	\$859
2 1 Bedroom	50%	50%	\$716
13 2 Bedrooms	60%	60%	\$1,032
2 2 Bedrooms	50%	50%	\$860
13 3 Bedrooms	60%	60%	\$1,192
2 3 Bedrooms	50%	50%	\$993
3 2 Bedrooms	60%	60%	\$1,032
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,360,000
Construction Costs	\$8,696,702
Rehabilitation Costs	\$0
Construction Contingency	\$439,037
Relocation	\$0
Architectural/Engineering	\$350,000
Const. Interest, Perm. Financing	\$826,742
Legal Fees, Appraisals	\$140,000
Reserves	\$303,199
Other Costs	\$1,256,848
Developer Fee	\$1,720,795
Commercial Costs	\$0
Total	\$15,093,323

Project Financing

Estimated Total Project Cost:	\$15,093,323
Estimated Residential Project Cost:	\$15,093,323
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$220
Per Unit Cost:	\$328,116
True Cash Per Unit Cost*:	\$318,938

Construction Financing

Source	Amount
Citibank - Tax Bond Loan	\$10,000,000
SLO County Loan - HTF	\$460,000
SLO County Loan - HOME / CDBG	\$505,596
Accrued / Deferred Interest	\$21,488
SLO City Loan - AHF / Fee Deferral	\$1,912,753
Accrued / Deferred Interest	\$73,663
Deferred Developer Fee	\$1,253,887
Tax Credit Equity	\$865,936

Permanent Financing

Source	Amount
Citibank- Tax Bond Loan	\$5,696,915
SLO County Loan - HTF	\$460,000
SLO County Loan - HOME / CDBG	\$505,596
Accrued / Deferred Interest	\$21,488
SLO City Loan - AHF / Fee Deferral	\$1,912,753
Accrued / Deferred Interest	\$73,663
Deferred Developer Fee	\$422,186
Tax Credit Equity	\$6,000,722
TOTAL	\$15,093,323

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$13,192,761
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$17,150,589
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$557,394
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,720,795
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.07657

Per Regulation Section 10322(h)(9)(A), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$13,192,761
Actual Eligible Basis:	\$13,192,761
Unadjusted Threshold Basis Limit:	\$13,982,184
Total Adjusted Threshold Basis Limit:	\$18,596,305

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 13%

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 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 3.25% 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.

Local Reviewing Agency

The Local Reviewing Agency, the City of San Luis Obispo, has completed a site review of this project and strongly supports this project.

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 Tax Credits/Annual	State Tax Credits/Total
\$557,394	\$0

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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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.

Additional Conditions: None.