

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**December 14, 2016**

Woodstone Apartments, located at 401 W. Pine Avenue in Lompoc, requested and is being recommended for a reservation of \$1,678,383 in annual federal tax credits to finance the acquisition and rehabilitation of 202 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Vintage Housing Development, Inc. and is located in Senate District 19 and Assembly District 35.

**Project Number** CA-16-995

**Project Name** Woodstone Apartments  
**Site Address:** 401 W. Pine Avenue  
Lompoc, CA 93436 County: Santa Barbara  
**Census Tract:** 27.05

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,678,383	\$0
Recommended:	\$1,678,383	\$0

**Applicant Information**

**Applicant:** Woodstone by Vintage, LP  
**Contact:** Michael K. Gancar  
**Address:** 369 San Miguel Drive, Ste. 135  
Newport Beach, CA 92660  
**Phone:** (949) 721-6775 **Fax:** (949) 721-6776  
**Email:** mgancar@vintagehousing.com

**General Partner(s) or Principal Owner(s):** Woodstone by Vintage Partners, LLC  
Hearthstone CA Properties I, LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** Vintage Housing Holdings, LLC  
Hearthstone Housing Foundation

**Developer:** Vintage Housing Development, Inc.

**Investor/Consultant:** Aegon USA Realty Advisors, LLC

**Management Agent:** FPI Management, Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 20  
 Total # of Units: 204  
 No. & % of Tax Credit Units: 202 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 21  
 Number of Units @ or below 60% of area median income: 181

**Bond Information**

Issuer: California Statewide Communities Development Authority  
 Expected Date of Issuance: December 22, 2016  
 Credit Enhancement: N/A

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Central Coast Region  
 TCAC Project Analyst: Zhuo Chen

**Unit Mix**

120 1-Bedroom Units  
 84 2-Bedroom Units  


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 204 Total Units

<b>Unit Type &amp; Number</b>	<b>2016 Rents Targeted % of Area Median Income</b>	<b>2016 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
13 1 Bedroom	50%	50%	\$790
106 1 Bedroom	60%	60%	\$948
8 2 Bedrooms	50%	50%	\$947
75 2 Bedrooms	60%	60%	\$1,137
1 1 Bedroom	Manager's Unit	Manager's Unit	\$895
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,075

**Project Cost Summary at Application**

Land and Acquisition	\$33,100,000
Construction Costs	\$0
Rehabilitation Costs	\$8,567,211
Construction Contingency	\$856,721
Relocation	\$304,500
Architectural/Engineering	\$1,045,500
Const. Interest, Perm. Financing	\$2,050,279
Legal Fees, Appraisals	\$139,500
Reserves	\$519,408
Other Costs	\$521,605
Developer Fee	\$6,217,040
Commercial Costs	\$0
<b>Total</b>	<b>\$53,321,764</b>

**Project Financing**

Estimated Total Project Cost:	\$53,321,764
Estimated Residential Project Cost:	\$53,321,764
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$58
Per Unit Cost:	\$261,381
True Cash Per Unit Cost*:	\$236,442

**Construction Financing**

Source	Amount
Citi Bank - Tranche A	\$23,656,781
Citi Bank - Tranche B	\$6,217,040
Net Operating Income	\$1,950,830
General Partner Equity	\$6,217,040
Deferred Developer Fee	\$10,653,894
Tax Credit Equity	\$4,500,000

**Permanent Financing**

Source	Amount
Citi Bank	\$23,656,781
Net Operating Income	\$1,950,830
General Partner Equity	\$4,500,000
Deferred Developer Fee	\$5,087,631
Tax Credit Equity	\$18,126,522
<b>TOTAL</b>	<b>\$53,321,764</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$13,278,972
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$34,385,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$17,262,664
Qualified Basis (Acquisition):	\$34,385,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$560,870
Maximum Annual Federal Credit, Acquisition:	\$1,117,513
Total Maximum Annual Federal Credit:	\$1,678,383
Approved Developer Fee (in Project Cost & Eligible Basis):	\$6,217,040
Investor/Consultant:	Aegon USA Realty Advisors, LLC
Federal Tax Credit Factor:	\$1.08000

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:	\$47,663,972
Actual Eligible Basis:	\$47,663,972
Unadjusted Threshold Basis Limit:	\$57,099,000
Total Adjusted Threshold Basis Limit:	\$62,808,900

**Adjustments to Basis Limit**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

**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 is below the minimum operating expenses established in the Regulations. See **Special Issues/Other Significant Information** below. 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**

This project’s annual per unit operating expense total is below the TCAC published per unit operating expense minimums of \$4,300. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of \$3,654 in agreement with the permanent lender and equity investor.

**Local Reviewing Agency**

The Local Reviewing Agency, the City of Lompoc Successor Housing Agency, has completed a site review of this project and takes no position of 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,678,383</b>	<b>\$0</b>

### **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**

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.