

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 16, 2014

Project Number CA-14-868

Project Name L.C. Grossman Homes (Aparicio V)
 Site Address: 5575-5595 Armitos Avenue
 Goleta, CA 93117 County: Santa Barbara
 Census Tract: 30.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$135,486	\$0
Recommended:	\$135,486	\$0

Applicant Information

Applicant: Leland Grossman Sandpiper, L.P.
 Contact: Robert Havlicek
 Address: 815 West Ocean Avenue
 Lompoc, CA 93436
 Phone: (805) 736-3423 Fax: (805) 735-7672
 Email: bobhavlicek@hasbarco.org

General Partner(s) or Principal Owner(s): Housing Authority of the County of Santa Barbara
 Surf Development Company
 General Partner Type: Nonprofit
 Parent Company(ies): Housing Authority of the County of Santa Barbara
 Surf Development Company
 Developer: Housing Authority of the County of Santa Barbara
 Investor/Consultant: RBC Tax Credit Equity, LLC
 Management Agent: Housing Authority of the County of Santa Barbara

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 7
 Total # of Units: 14
 No. & % of Tax Credit Units: 14 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HUD Project based Section 8 Contract (100% - 14 units)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 2
 Number of Units @ or below 60% of area median income: 12

Bond Information

Issuer: Housing Authority of the County of Santa Barbara
 Expected Date of Issuance: August 1, 2014
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Mayra Lozano

Unit Mix

14 2-Bedroom Units
 14 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 2 Bedrooms	50%	48%	\$823
12 2 Bedrooms	60%	48%	\$823

Project Financing

Estimated Total Project Cost: \$6,165,415
 Estimated Residential Project Cost: \$6,165,415

Construction Financing

<u>Source</u>	<u>Amount</u>
US Bank - Tax Exempt (TE) Bonds	\$600,000
Seller Carryback - TE Bonds	\$2,400,000
Seller Carryback Loan	\$1,971,886
Existing Reserves	\$399,950
Deferred Costs	\$63,248
Deferred Developer Fee	\$502,331
Tax Credit Equity	\$228,000

Residential

Construction Cost Per Square Foot: \$26
 Per Unit Cost: \$440,387

Permanent Financing

<u>Source</u>	<u>Amount</u>
Seller Carryback - TE Bonds	\$3,000,000
Seller Carryback Loan	\$1,371,886
Existing Reserves	\$399,950
Solar Tax Credit Equity	\$13,499
Deferred Developer Fee	\$58,903
Tax Credit Equity	\$1,321,177
TOTAL	\$6,165,415

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$978,704
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$2,760,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$1,272,315
Qualified Basis (Acquisition):	\$2,760,000
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$42,750
Maximum Annual Federal Credit, Acquisition:	\$92,736
Total Maximum Annual Federal Credit:	\$135,486
Approved Developer Fee (in Project Cost & Eligible Basis):	\$502,331
Investor/Consultant:	RBC Tax Credit Equity, LLC
Federal Tax Credit Factor:	\$0.97514

Per Regulation Section 10322(i)(4)(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:	\$3,738,704
Actual Eligible Basis:	\$3,843,704
Unadjusted Threshold Basis Limit:	\$3,718,400
Total Adjusted Threshold Basis Limit:	\$4,610,816

Adjustments to Basis Limit:

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 14%

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 expense exceeds 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 3.36% 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:

The proposed project is a Rental Assistance Demonstration (RAD) project that includes a HUD Project-based Section 8 contract on all 14 units.

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.

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
\$135,486	\$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.