

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2015 Second Round

September 23, 2015

860 on the Wye, is a scattered site project, located at 860 Humbert Avenue and 2775 Victoria Avenue, in San Luis Obispo, CA, requested and is being recommended for a reservation of \$377,258 in annual federal tax credits and \$1,132,112 in total state tax credits to finance the new construction of 19 units of housing serving special needs and single room occupancy tenants with rents affordable to households earning 30-45% of area median income (AMI). The project will be developed by San Luis Obispo Nonprofit Housing Corporation and will be located in Senate District 17 and Assembly District 35.

The project will be receiving rental assistance in the form of HUD VASH Project-Based Vouchers.

Project Number CA-15-091

Project Name 860 on the Wye
Site Address: 860 Humbert Avenue, 2775 Victoria Avenue (formerly 851 Humbert)
San Luis Obispo, CA 93401 County: San Luis Obispo
Census Tract: 111.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$377,258	\$1,132,112
Recommended:	\$377,258	\$1,132,112

Applicant Information

Applicant: 860 on the Wye, L.P.
Contact: Scott Smith
Address: 487 Leff Street
San Luis Obispo, CA 93401
Phone: 805-594-5323 Fax: 805-543-4992
Email: ssmith@haslo.org

General Partner(s) / Principal Owner(s): San Luis Obispo Nonprofit Housing Corporation
General Partner Type: Nonprofit
Parent Company(ies): San Luis Obispo Nonprofit Housing Corporation
Developer: San Luis Obispo Nonprofit Housing Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent(s): Housing Authority San Luis Obispo

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 20
 No. & % of Tax Credit Units: 19 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Veterans Affairs Supportive Housing (VASH) Project-Based Vouchers (10 units - 53%) / CDBG / HOME
 Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 2 10 %
 40% AMI: 13 65 %
 45% AMI: 4 20 %

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless Veteran and Homeless
 % of Special Need Units: 10 units 53%
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Mayra Lozano

Unit Mix

9 SRO/Studio Units
 10 1-Bedroom Units
 1 2-Bedroom Units

 20 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 SRO/Studio	30%	30%	\$405
6 SRO/Studio	40%	40%	\$540
2 SRO/Studio	45%	45%	\$607
1 1 Bedroom	30%	30%	\$433
7 1 Bedroom	40%	40%	\$578
2 1 Bedroom	45%	45%	\$650
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,173,557
Construction Costs	\$3,878,996
Rehabilitation Costs	\$0
Construction Contingency	\$192,121
Relocation	\$0
Architectural/Engineering	\$197,444
Construction Interest, Perm Financing	\$411,986
Legal Fees, Appraisals	\$36,661
Reserves	\$39,629
Other Costs	\$893,104
Developer Fee	\$818,696
Commercial Costs	\$0
Total	\$7,642,194

Project Financing

Estimated Total Project Cost:	\$7,642,194
Estimated Residential Project Cost:	\$7,642,194

Residential

Construction Cost Per Square Foot:	\$326
Per Unit Cost:	\$382,110

Construction Financing

Source	Amount
Union Bank	\$4,181,697
SLO* Housing Trust Fund	\$200,000
SLO* County - Loan	\$963,685
Accrued/Deferred Interest	\$27,278
SLO* City - Loan	\$988,344
Accrued/Deferred Interest	\$27,976
HASLO** - Land Donation	\$105,936
HASLO** - Loan	\$311,475
Accrued/Deferred Interest	\$10,554
Costs Deferred Until Conversion	\$463,977
Tax Credit Equity	\$361,272

Permanent Financing

Source	Amount
CCRC - Tranche B	\$445,500
SLO* Housing Trust Fund	\$200,000
SLO* County - Loan	\$963,685
Accrued/Deferred Interest	\$27,278
SLO* City - Loan	\$988,344
Accrued/Deferred Interest	\$27,976
HASLO** - Land Donation	\$105,936
HASLO** - Loan	\$311,475
Accrued/Deferred Interest	\$10,554
Tax Credit Equity	\$4,561,446
TOTAL	\$7,642,194

*San Luis Obispo

**Housing Authority of San Luis Obispo

Determination of Credit Amount(s)

Requested Eligible Basis:	\$3,773,709
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$4,905,822
Applicable Rate:	7.69%
Total Maximum Annual Federal Credit:	\$377,258
Total State Credit:	\$1,132,112
Approved Developer Fee (in Project Cost & Eligible Basis):	\$818,696
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.00206
State Tax Credit Factor:	\$0.68993

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:	\$3,773,709
Actual Eligible Basis:	\$6,076,672
Unadjusted Threshold Basis Limit:	\$4,060,026
Total Adjusted Threshold Basis Limit:	\$5,609,380

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

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.
- 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

Local Development Impact Fees

Tie-Breaker Information

First:	Special Needs
Second:	60.860%

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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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 owner will pay for all utilities.

This project is a new construction scattered site project. The project will have one manager serving both sites, 17 low-income units with one manager at one site and 2 low-income units at the other site.

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.

Local Reviewing Agency:

The Local Reviewing Agency, 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
\$377,258	\$1,132,112

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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. 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. 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)(6) 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) at project completion.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	2	2	2
Within ½ mile of a neighborhood market of at least 5,000 sf	3	3	3
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated	5	5	5
Develop project to requirements of: Gold	5	5	5
Renewable energy providing percentage of tenants' energy loads: 50.0%	5	5	0
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.