

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Qualified Private Activity Tax-Exempt Bond Project
August 6, 2024**

Sugar Pine Village Phase 1B, located at 1860 Lake Tahoe Boulevard in South Lake Tahoe on a 2.48 acre site, requested and is being recommended for a reservation of \$1,922,198 in annual federal tax credits and \$25,588,048 of tax-exempt bond cap to finance the new construction of 60 units of housing, consisting of 59 restricted rental units and 1 unrestricted manager's unit. The project will have 12 studio units, 12 one-bedroom units, 20 two-bedroom units, and 16 three-bedroom units, serving tenants with rents affordable to households earning 30%-60% of area median income (AMI). The buildings will consists of two 3-story walk up style buildings (30 units each) both of which are Type V (wood frame) construction with either slab-on-grade or raised perimeter foundation. Common amenities include community room, laundry room, picnic area, playground, on-site manager and surveillance cameras. Each unit will have dishwashers, refrigerator, stove/oven, carpet, exterior decks or patios, storage cabinets, solid-surface countertops, air conditioning and central heating. The construction is expected to begin in February 2025 and be completed in February 2027. The project will be developed by Related Irvine Development Company and will be located in Senate District 1 and Assembly District 5.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the Infill Infrastructure Grant (IIG), Multifamily Housing Program (MHP), and Local Government Matching Grants (LGMG) programs of HCD.

Project Number CA-24-435

Project Name Sugar Pine Village Phase 1B
Site Address: 1860 Lake Tahoe Boulevard
South Lake Tahoe, CA 96150

County: El Dorado
Census Tract: 304.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,922,198	\$0
Recommended:	\$1,922,198	\$0

Tax-Exempt Bond Allocation
Recommended: \$25,588,048

CTCAC Applicant Information
Applicant: Sugar Pine Phase 1B Housing Partners, L.P.
Contact: Ann Silverberg
Address: 44 Montgomery Street Suite 1310
San Francisco, CA 94104

Phone: 415-677-9000
Email: asilverberg@related.com

Bond Financing Information

CDLAC Applicant/Bond Issuer:	California Municipal Finance Authority
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser:	Citibank, N.A.

Development Team

General Partner(s) or Principal Owner(s):	Sugar Pine Phase 1B Development Co., LLC St Joseph Sugar Pine Village Phase 1B LLC
General Partner Type:	Joint Venture
Parent Company(ies):	The Related Companies of California, LLC Saint Joseph Community Land Trust
Developer:	Related Irvine Development Company
Investor/Consultant:	Red Stone Equity Partners
Management Agent:	The John Stewart Company

Project Information

Construction Type:	New Construction	
Total # Residential Buildings:	2	
Total # of Units:	60	
No. / % of Low Income Units:	59	100.00%
Average Targeted Affordability:	48.72%	
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt / HOME / HUD Section 8 Project-based Vouchers (16 Units - 27%)	

Information

Housing Type:	Non-Targeted
Geographic Area:	Capital Region
State Ceiling Pool:	New Construction
CDLAC Project Analyst:	Brandon Medina
CTCAC Project Analyst:	Nick White

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	18	31%
50% AMI:	12	20%
60% AMI:	29	49%

Unit Mix

12 SRO/Studio Units
12 1-Bedroom Units
20 2-Bedroom Units
<u>16 3-Bedroom Units</u>
60 Total Units

Unit Type & Number	2023 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
2 SRO/Studio	30%	\$563
2 SRO/Studio	30%	\$562
4 SRO/Studio	50%	\$938
4 SRO/Studio	60%	\$1,125
4 1 Bedroom	30%	\$602
4 1 Bedroom	50%	\$1,005
4 1 Bedroom	60%	\$1,206
5 2 Bedrooms	30%	\$711
2 2 Bedrooms	50%	\$1,206
13 2 Bedrooms	60%	\$1,447
5 3 Bedrooms	30%	\$824
2 3 Bedrooms	50%	\$1,393
8 3 Bedrooms	60%	\$1,671
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Construction Costs	\$33,601,565
Construction Hard Cost Contingency	\$1,680,078
Soft Cost Contingency	\$507,564
Architectural/Engineering	\$1,760,800
Const. Interest, Perm. Financing	\$3,929,440
Legal Fees	\$148,000
Reserves	\$226,814
Other Costs	\$3,856,465
Developer Fee	\$4,800,000
Total	\$50,510,726

Residential

Construction Cost Per Square Foot:	\$588
Per Unit Cost:	\$841,845
Estimated Hard Per Unit Cost:	\$477,572
True Cash Per Unit Cost*:	\$809,006
Bond Allocation Per Unit:	\$426,467
Bond Allocation Per Restricted Rental Unit:	\$433,696

Construction Financing

Source	Amount
Citibank: Tax-Exempt	\$25,588,048
HOME	\$5,162,446
HCD: IIG	\$2,953,700
HCD: LGMG	\$9,999,999
City of South Lake Tahoe: HOME	\$625,000
Deferred Costs	\$158,554
Deferred Developer Fee	\$3,370,346
Tax Credit Equity	\$2,652,633

Permanent Financing

Source	Amount
Citibank: Tax-Exempt	\$4,667,000
HOME	\$5,162,446
HCD: IIG	\$2,953,700
HCD: LGMG	\$9,999,999
HCD: MHP	\$7,448,016
City of South Lake Tahoe: HOME	\$625,000
Deferred Developer Fee	\$1,970,346
Tax Credit Equity	\$17,684,219
TOTAL	\$50,510,726

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$48,059,748
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$48,059,748
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$1,922,198
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,800,000
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	\$0.92000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

CTCAC Significant Information / Additional Conditions

The current legal description is part of a larger site and the project site’s parcel (legal description and APN) have not yet been finalized. The legal description and APN for CA-24-435 must be completed as part of the placed in service package.

Development costs are roughly \$808,278 per unit. The factors affecting this cost include a condensed building season, limited supply of subcontractors, and transportation of building materials.

Projects with funding and/or subsidy(ies) from HUD are required to use Utility Allowances (UAs) approved by HUD. The applicant has proposed to use the Utility Allowances approved by the Public Housing Authority for the 16 units with Project-based Vouchers and the CUAC for all remaining units.

CDLAC Analyst Comments

None

Resyndication and Resyndication Transfer Event: None.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).

Point Criteria	New Const. Max. Points	Rehabilitation Max. Points	Points Scored
Preservation and Other Rehabilitation Project Priorities	0	20	0
New Construction Density and Local Incentives	10	0	10
Exceeding Minimum Income Restrictions	20	20	20
Exceeding Minimum Rent Restrictions	10	10	10
General Partner Experience	7	7	7
Management Company Experience	3	3	3
Housing Needs	10	0	10
Leveraged Soft Resources	8	8	8
Readiness to Proceed	10	10	10
Affirmatively Furthering Fair Housing	10	0	9
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
Total Points	120	110	119

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.

Tie Breaker: 72.715%