

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

The project, 831 Water Street, located at 823 - 833 Water Street in Santa Cruz on a 0.91 acre site, requested and is being recommended for a reservation of \$4,227,025 in annual federal tax credits and \$12,477,384 in total state tax credits and \$50,273,157 of tax-exempt bond cap to finance the new construction of 140 units of housing, consisting of 135 restricted rental units, 4 market-rate units, and 1 unrestricted manager's unit. The project will have 64 studio units, 54 one-bedroom units, 19 two-bedroom units, and 3 three-bedroom units, serving special needs tenants with rents affordable to households earning 30%-80% of area median income (AMI). The proposed project will consist of two elevator serviced buildings, one 4-story building consisting of 71 units and a second 5-story building consisting of 69 units. The type of construction structure will be Type V wood frame. The existing commercial buildings will need to be demolished in order for the Project to be developed. Common amenities include a large community room, business center/computer lab, courtyard, laundry facilities, lobby and mail room, management and on-site services offices, exercise facility and roof decks with open space. The Project will provide a total of 44 parking spaces. Each unit will have a refrigerator, range/oven, microwave, balconies/patios, blinds, carpeting, vinyl flooring and coat closets. The construction is expected to begin in January 2025 and be completed in October 2026. The project will be developed by Novin Development Corp. and will be located in Senate District 17 and Assembly District 28.

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 Mixed-Income Program (MIP) through CalHFA.

Project Number CA-24-509

Project Name 831 Water Street
Site Address: 823 - 833 Water Street
Santa Cruz, CA 95060
County: Santa Cruz
Census Tract: 1002.00

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$4,227,025	\$12,477,384
Recommended:	\$4,227,025	\$12,477,384

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Tax-Exempt Bond Allocation
Recommended: \$50,273,157

CTCAC Applicant Information
CTCAC Applicant/CDLAC Sponsor: 831 Water Street LP
Applicant for State Credits: Central Valley Coalition for Affordable Housing
Contact: Iman Novin
Address: 1990 N California Boulevard, Suite 800
Walnut Creek, 94596
Phone: 925-344-6244
Email: inovin@novindevelopment.com

Bond Financing Information

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

Development Team

General Partner(s) or Principal Owner(s): 831 Water Street LLC
 Central Valley Coalition for Affordable Housing
 Novin Development LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Noving Development Corp
 Central Valley Coalition for Affordable Housing
 Developer: Novin Development Corp.
 Investor/Consultant: CREA LLC
 Management Agent: FPI Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 140
 No. / % of Low Income Units: 135 97.12%
 Average Targeted Affordability: 58.96%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project-based Vouchers (64 Units - 47%)

Information

Housing Type: Special Needs
 Geographic Area: Central Coast Region
 State Ceiling Pool: New Construction
 Set Aside: Mixed Income Set Aside
 Homeless Set Aside Units: 34
 CDLAC Project Analyst: Sarah Lester
 CTCAC Project Analyst: Franklin Cui

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	41	30%
50% AMI:	23	17%
60% AMI:	5	4%
80% AMI*:	66	49%

*CTCAC restricted only

Unit Mix

64 SRO/Studio Units
54 1-Bedroom Units
19 2-Bedroom Units
<u>3 3-Bedroom Units</u>
140 Total Units

<u>Unit Type & Number</u>	<u>2023 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
22 SRO/Studio	30%	\$864
10 SRO/Studio	50%	\$1,441
32 SRO/Studio	80%	\$2,306
17 1 Bedroom	30%	\$926
10 1 Bedroom	50%	\$1,544
27 1 Bedroom	80%	\$2,470
2 2 Bedrooms	30%	\$1,112
3 2 Bedrooms	50%	\$1,853
5 2 Bedrooms	60%	\$2,224
5 2 Bedrooms	80%	\$2,965
2 3 Bedrooms	80%	\$3,426
1 2 Bedrooms	Manager's Unit	\$0
3 2 Bedrooms	Market Rate Unit	\$3,941
1 3 Bedrooms	Market Rate Unit	\$4,900

Project Cost Summary at Application

Land and Acquisition	\$10,792,440
Construction Costs	\$60,210,913
Construction Hard Cost Contingency	\$3,239,132
Soft Cost Contingency	\$725,184
Relocation	\$313,088
Architectural/Engineering	\$1,780,686
Const. Interest, Perm. Financing	\$7,833,786
Legal Fees	\$205,464
Reserves	\$1,209,944
Other Costs	\$2,209,620
Developer Fee	\$11,151,393
Commercial Costs	<u>\$1,696,896</u>
Total	\$101,368,546

Residential

Construction Cost Per Square Foot:	\$685
Per Unit Cost:	\$711,940
Estimated Hard Per Unit Cost:	\$375,120
True Cash Per Unit Cost*:	\$607,775
Bond Allocation Per Unit:	\$359,094
Bond Allocation Per Restricted Rental Unit:	\$728,596

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citi: Tax-Exempt	\$50,273,157	CalHFA: Tax-Exempt	\$32,668,423
Citi: Taxable	\$22,015,297	CalHFA: MIP	\$4,000,000
Seller Carryback	\$6,900,000	Seller Carryback	\$6,900,000
Tax Credit Equity	\$9,973,746	Deferred Developer Fee	\$7,931,393
		Tax Credit Equity	\$49,868,730
		TOTAL	\$101,368,546

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$85,494,011
130% High Cost Adjustment:	Yes
Applicable Fraction:	97.12%
Qualified Basis:	\$107,943,877
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$4,227,025
Total State Credit:	\$11,528,843
Approved Developer Fee (in Project Cost & Eligible Basis):	\$11,151,393
Investor/Consultant:	CREA LLC
Federal Tax Credit Factor:	\$0.92000
State Tax Credit Factor:	\$0.88000

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 applicant's estimate of contractor profit, overhead and general requirement costs exceeds CTCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

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	10
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
Total Points	120	110	120

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: 80.008%