

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

Seaside Apartments, located at 1380 30th Avenue in Santa Cruz on a 4.64 acre site, requested and is being recommended for a reservation of \$2,744,050 in annual federal tax credits and \$37,316,600 of tax-exempt bond cap to finance the acquisition & rehabilitation of 84 units of housing, consisting of 83 restricted rental units and 1 unrestricted manager's unit. The project has 16 one-bedroom units, 52 two-bedroom units, and 16 three-bedroom units, serving tenants with rents affordable to households earning 30%-80% of area median income (AMI). The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of replacement of roof, installation of solar panel system, painting of all exterior walls and sidings, exterior lights replacement with LED light fixtures. Interior renovations will include interior door hardware replacement, replacement of water heaters with higher efficiency units; replacement of interior light fixtures. Individual apartment units will be updated with new kitchen cabinets, replacement of kitchen sinks and faucets, replacement of bathroom fixtures with low flow toilets, showerheads, and aerators installed, replacement of appliances with EnergyStar rated units, higher efficiency LED fixtures, replacement of blinds and replacement of vinyl flooring. Lastly, common or site area renovations will consist of upgrade of leasing office (vinyl floor installation, upgrade of light fixtures, etc.). The construction is expected to begin in October 2024 and be completed in December 2025. The project will be developed by Gung Ho - Seaside, LLC and is located in Senate District 17 and Assembly District 30.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-24-558

Project Name Seaside Apartments
Site Address: 1380 30th Avenue
Santa Cruz, CA 95062
County: Santa Cruz
Census Tract: 1217.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,744,050	\$0
Recommended:	\$2,744,050	\$0

Tax-Exempt Bond Allocation
Recommended: \$37,316,600

CTCAC Applicant Information
CTCAC Applicant/CDLAC Sponsor: Reliant - Seaside, LP
Contact: Mike April
Address: 601 California Street, Suite 1150
San Francisco, CA 94108
Phone: (415) 501-9605
Email: mapril@reliantgroup.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): Gung Ho - Seaside, LLC
 Rainbow - Seaside, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Gung Ho Partners, LLC
 Rainbow Housing Assistance Corporation
 Developer: Gung Ho - Seaside, LLC
 Investor/Consultant: R4 Capital
 Management Agent: Reliant Property Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 6
 Total # of Units: 84
 No. / % of Low Income Units: 83 100.00%
 Average Targeted Affordability: 49.40%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (83 Units - 100%)

Information

Housing Type: At-Risk
 Geographic Area: Central Coast Region
 State Ceiling Pool: Preservation
 Set Aside: N/A
 Homeless Set Aside Units: N/A
 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:	7	8%
50% AMI:	73	88%
80% AMI*:	3	4%

*CTCAC restricted only

Unit Mix

16 1-Bedroom Units
52 2-Bedroom Units
<u>16 3-Bedroom Units</u>
84 Total Units

<u>Unit Type & Number</u>	<u>2023 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 1 Bedroom	30%	\$926
4 2 Bedrooms	30%	\$1,112
1 3 Bedrooms	30%	\$1,284
14 1 Bedroom	50%	\$1,544
47 2 Bedrooms	50%	\$1,853
12 3 Bedrooms	50%	\$2,141
1 2 Bedrooms	80%	\$2,966
2 3 Bedrooms	80%	\$3,426
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$45,000,000
Rehabilitation Costs	\$11,054,666
Construction Hard Cost Contingency	\$1,105,467
Soft Cost Contingency	\$400,000
Relocation	\$259,875
Architectural/Engineering	\$250,000
Const. Interest, Perm. Financing	\$6,285,400
Legal Fees	\$556,750
Reserves	\$864,880
Other Costs	\$887,240
Developer Fee	\$8,293,598
Total	\$74,957,876

Residential

Construction Cost Per Square Foot:	\$151
Per Unit Cost:	\$892,356
Estimated Hard Per Unit Cost:	\$112,357
True Cash Per Unit Cost*:	\$832,347
Bond Allocation Per Unit:	\$444,245
Bond Allocation Per Restricted Rental Unit:	\$466,458

Construction Financing

<u>Source</u>	<u>Amount</u>
CitiBank: Tax-Exempt	\$37,316,600
CitiBank: Recycled Tax-Exempt	\$8,183,400
Deferred Developer Fee	\$6,505,747
Tax Credit Equity	\$22,952,129

Permanent Financing

<u>Source</u>	<u>Amount</u>
CitiBank: Tax-Exempt	\$26,316,600
CitiBank: Recycled Tax-Exempt	\$8,183,400
Subordinate Tax-Exempt	\$11,000,000
Deferred Developer Fee	\$5,040,717
Tax Credit Equity	\$24,417,159
TOTAL	\$74,957,876

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$16,723,318
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$46,860,933
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$21,740,313
Qualified Basis (Acquisition):	\$46,860,933
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	\$869,613
Maximum Annual Federal Credit, Acquisition:	\$1,874,437
Total Maximum Annual Federal Credit:	\$2,744,050
Approved Developer Fee (in Project Cost & Eligible Basis):	\$8,293,598
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	\$0.88982

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

Development costs are roughly \$892,347 per unit. The applicant noted the factors affecting this cost include the acquisition cost, accrued interest costs, and extensive upgrades to the existing infrastructure.

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	20
New Construction Density and Local Incentives	10	0	0
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	0
Leveraged Soft Resources	8	8	8
Readiness to Proceed	10	10	10
Affirmatively Furthering Fair Housing	10	0	0
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
Total Points	120	110	110

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: 122.396%